Austria	Sch[illegible]	Indonesia	Rp[illegible]	Pakistan	Rs[illegible]
Bahrain	Din0.[illegible]	Iran	Rls210	Philippines	Pso[illegible]
Belgium	BFr50	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM2.50	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.900
Iceland	IKr160	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,603

Friday November 8 1991

D 8523A

ENVIRONMENT

Cold comfort on global warming

Page 28

World News

Channel tunnel passenger trains will be delivered late

British Rail, SNCF of France and SNCB of Belgium will have no passenger trains ready to run through the Channel tunnel if it opens on time in June 1993.

BR acknowledged yesterday that delivery of the Channel tunnel expresses intended to link London with Paris and Brussels was running months behind schedule. Page 20

Renault strike plea

France's Communist-led CGT trade union called on strikers at the main gearbox and engine plant of Renault, the French state-owned car maker, to return to work from this morning. Page 20

Haughey challenged

The Irish government was thrown into turmoil last night following a challenge to the leadership of Charles Haughey, made by the Fianna Fail finance minister, Albert Reynolds. Page 2

Russian credit hopes

Russia believes western export credit agencies will soon extend credit guarantees direct to Russia, instead of insisting that they receive counter guarantees from the Soviet external trade bank. Page 3

French trading charge

A former senior official from the French Finance Ministry was charged with insider trading, in the latest twist in a long-running scandal surrounding a takeover by Pechiney, the state-controlled aluminium and packaging group. Page 3

Israel attacks Lebanon

Israeli helicopters blasted an office of Palestinians radicals in a south Lebanon refugee camp. Witnesses said they killed two civilians and wounded three. *Shamir moves ally.* Page 6

US pressures Zaire

The US has increased pressure on President Mobutu Sese Seko to give way to Zaire's opposition and allow a transitional government to take control of the country's key ministries. Page 6

Gorbachev protest

Thousands of communist diehards shouting for Soviet President Mikhail Gorbachev to be put on trial crowded into Red Square in a demonstration of loyalty to Lenin on the 74th anniversary of the Bolshevik revolution. Page 20

Herb tonic toll rises

The death toll among Indian revellers who drank a herbal tonic apparently containing methyl alcohol has risen to at least 150, the Press Trust of India reported.

Botswana sackings

Botswana authorities have sacked an estimated 150,000 government and public sector workers who began a countrywide strike for higher wages this week. Page 6

Fruit fly worry

Hundreds of square miles of California fruits and vegetables have been laid waste by a new strain of the tiny whitefly, which officials said could lead to severe shortages and sharp price increases.

Business Summary

Gatt chief optimistic over talks breakthrough

A successful conclusion to five years of talks on world trade reforms could come before the end of the year, according to Arthur Dunkel, director general of the General Agreement on Tariffs and Trade.

A breakthrough in the long-running dispute between the US and the EC over farm reforms is now seen as attainable. Non-stop talks will be held in Geneva from next Monday so that the agreements in all the areas under negotiation in the Uruguay Round could be ready by the end of November. Page 20; Awesome obstacles in the path of Uruguay round, Page 6; Editorial comment, Page 18

BRITISH Petroleum, UK-based international oil group, should see a squeeze in fourth-quarter results in spite of increases in the oil price. The company's UK refining business and the chemicals division, which made its first loss for about 10 years in the third quarter, should continue to depress overall performance. Page 21; Details, Page 27; Lex, Page 20

KOMATSU, Japanese construction equipment company, has acquired a 10 per cent stake in FAI, Italy's second biggest construction equipment maker, in an effort to strengthen ties between the two companies. Page 21; Three-way venture, Page 24

REUTERS Holdings, financial information and news company, is about to start trials of the long-delayed second phase of Dealing 2000, its automated trading system for foreign exchange. Page 21

JOHN FAIRFAX, Australian newspaper group about to be sold by its bankers, announced a net loss of A$376m ($295m) after abnormal items in the year to June, compared with a loss of A$59m in the previous year. Page 23

GUINNESS Peat Aviation, world's largest leasing company, is to lose its president, Maurice Foley, only months after the group hopes to go public next summer. He will relinquish his role next October. Page 21; Lex, Page 20

KLM ROYAL Dutch Airlines saw second-quarter net profits surge nearly five-fold to Fl 192.5m ($104m), thanks in part to extensive cost-cutting efforts and a reshuffling of its routes and services. Page 24

NEWS Corporation, Rupert Murdoch's media group, announced a 315 per cent increase in first-quarter net profits to A$107.5m ($84m), in spite of a 4 per cent fall in sales revenue. Page 23

SONY MUSIC Entertainment, software arm of the Japanese electronics group, is to raise $940m through an issue of new equity. Page 26

MITSUBISHI Estate, Japanese real estate company, reported a 21.1 per cent decline in unconsolidated interim pre-tax profits to Y36.6bn ($279m). Page 23

KAWASAKI Steel, Japanese steel company, has established a foothold in the US plastics industry with the purchase of the resin compound division of ICI of the UK for about $100m. Page 25

Bush urges European allies to end ambiguity about role in Nato

US seeks EC defence pledge

By Robert Mauthner and Lionel Barber in Rome

PRESIDENT Bush yesterday urged the US's European allies to dispel ambiguity about their role in Nato and their future common defence projects.

"If your ultimate aim is to provide independently for your own defence, the time to tell us is today," he said.

He also pledged that the US would remain fully committed to Nato and continue strong support for the process of European integration.

After Mr Bush had delivered his speech to the two-day summit of Nato leaders which opened yesterday, Mr James Baker, the US secretary of state, said Mr Bush was not issuing an ultimatum to the allies but that "the US wanted to lay its cards on the table".

Mr Bush said the attainment of European union would not diminish the need for Nato as far as the US was concerned. "We do not see how there can be a substitute for the alliance as the provider of our defence and Europe's security," he said.

The US could not abandon its place in Europe, he said. It was going to retain "a sufficient force" in Europe to defend its obligations and its national security interests.

Mr Bush said the US was not seeking to dominate the alliance. Nato was not a vehicle of US power, nor did the US claim a monopoly of ideas for Nato. "What we want are partners", he president said.

Mr Bush's backing for "the aims and process of European integration" was particularly significant. He said this firm support extended even to the prospect of political union as well the goal of a European defence identity.

The US supported the development of the nine-nation Western European Union as the expression of Europe's defence identity because it could complement the alliance and strengthen the European role in it.

However, Mr Bush said the WEU could not be an alternative to Nato. "Our premise is that the American role in the defence and affairs of Europe will not be made superfluous by European Union."

The controversial issue of the links to be established between the WEU and Nato, on the one hand, and WEU and the European Community, on the other, is not expected to be settled during the Nato summit.

It will be the subject of further discussions at EC ministerial meetings leading up to the EC summit in Maastricht early next month.

France and Germany, which have proposed the creation of a European military corps, want the WEU eventually to become an integral part of European union.

But a rival British-Italian plan proposes that WEU should remain an autonomous organisation while maintaining close ties with both Nato and the EC.

Dutch prime minister Ruud Lubbers (centre) raises a smile from George Bush and John Major as they wait for their Nato colleagues to assemble for an official photograph

BRITAIN would be ready to sign up for the long-term objective of a European defence policy at next month's European Community summit in Maastricht, provided Nato's role is safeguarded, Ian Davidson reports from Rome.

Mr John Major, the British prime minister, told the Nato summit that Nato must remain the primordial forum for European security.

"But on that basis," he said, "we can work on the development of a common defence policy compatible with Nato. On that basis, I shall be ready to see Maastricht confirm the commitment in treaty language."

Mr Major continued to lay out many restrictions on the development of a European defence role. But the tone of his remarks implied a much more positive shift in the direction of a compromise with the other EC members.

A draft of the declaration to be issued at the end of the summit today, and widely leaked yesterday, also confirms Nato's invitation to the Soviet Union, the eastern European countries and the Baltic states to develop an institutional relationship for co-operation on political and security issues.

The procedure foreseen provides for joint, annual ministe

Continued on Page 20

Nato fears, Page 2

UK bank promises Maxwell backing

By Robert Peston, Richard Gourlay and Raymond Snoddy in London

BRITAIN'S National Westminster Bank, the biggest lender to the indebted private companies of the Maxwell publishing family, yesterday said it would continue to support the concerns.

However, bankers in London said that Goldman Sachs, the US securities house, planned to sell more shares in Maxwell Communication Corporation or in Mirror Group Newspapers if the Maxwell family failed to repay loans as they fell due.

They said there was a risk that other banks might follow this example, forcing down the share prices and eroding collateral (in the form of shares) pledged against other loans.

Goldman refused to comment, but bankers with a close knowledge of the firm's intentions said it was taking a tough stance on the repayment of loans.

Lex....Page 20
The Maxwell Empire......Page 22

Last week, Goldman sold 2.2m MCC shares held as security against a $60m (£35m) loan. Further share sales could shatter an informal agreement among other bankers to the Maxwell family's private companies that they will not sell shares taken as security against loans.

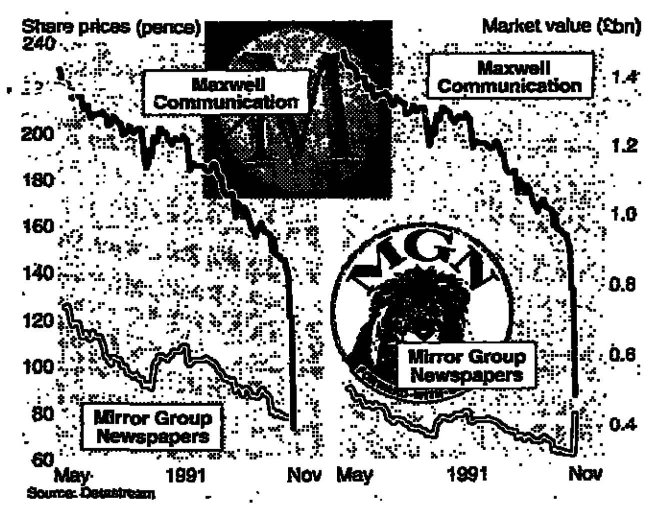
Mr Kevin Maxwell, new chairman of MCC, has gone to New York for talks with Goldman. Banks are hoping he can persuade the securities house to stop selling shares.

Most bankers rallied behind the Maxwell family companies, as more than £300m was wiped from the London stock market value of MCC, the family's main public vehicle when share trading resumed after Tuesday's suspension when Mr Robert Maxwell died.

MCC shares plunged from 121p to 74p, despite confirmation from the company that it planned to sell its majority stake in Berlitz International, the language training and travel publishing company to Fukutake Publishing of Japan in a deal worth $260m.

NatWest is understood to be playing a key role in urging banks not to take control of MCC shares by calling in loans. Bankers said the Max-

Continued on Page 20



Source: Datastream

US, Japan and EC agree drug testing procedures

By Paul Abrahams in Brussels

GUIDELINES have been agreed for the harmonisation of pharmaceutical safety and quality regulations in the US, EC and Japan, it was announced yesterday.

The moves, which could save thousands of lives and hundreds of millions of dollars a year for the pharmaceuticals industry, were agreed during the first tripartite discussions between the US Food and Drug Administration, the Japanese Ministry of Health and Welfare and the European Commission.

The guidelines, which follow 18 months of negotiations, should reduce the time required to license drugs internationally and cut research and development costs for pharmaceutical companies. The industry spends 17 per cent of its $180bn annual turnover on R&D.

They should also allow pharmaceutical groups to bring products to market more quickly. This will offer patients faster access to new medicines and increase the time pharmaceutical groups can profitably exploit patents.

In most EC countries, patents last 20 years but at present it takes, on average, 12 years from the discovery of a drug to bring it to market.

The tripartite proposals aim to speed up the licensing process by avoiding the duplication of clinical trials in humans and reducing unnecessary testing of animals without compromising regulatory obligations.

At present, companies are often forced to conduct separate studies in the three different regions to gain marketing approval.

Specifically, the proposals include:

- Abolition of the LD50 test which has been criticised by animal rights campaigners because it ends in the death of half the animals tested.
- Replacement of year-long toxicity studies in rodents and mammals by six-month studies.

The savings of this single measure were estimated by Mr John Griffin, director of the Association of the British Pharmaceutical Industry, at more than £61m per year.

The three regulatory authorities said it may take between 12 and 18 months for the proposals to be officially adopted.

US Democrats aim to cut taxes on lower incomes

By George Graham in Washington

THE US Democratic leadership yesterday set about capitalising on the party's surprise victory in the Pennsylvania Senate election on Monday by unveiling a package of tax cuts aimed at helping low to middle income Americans.

Mr Dan Rostenkowski, chairman of the House of Representatives ways and means committee and Congress's most influential tax legislator, proposed a temporary $200-a-year tax credit which would help lower income families by $46bn over the next two years.

The plan mirrors a proposal from Senator Lloyd Bentsen, the finance committee chairman, for a tax credit of $300 per child, but would cover some 90m taxpayers. The Bentsen plan would affect an estimated 27m families with children.

Mr Bentsen wants to cut $75bn of defence spending over five years. Mr Rostenkowski proposed creating a 35 per cent tax bracket for individuals earning over $85,000 a year, and levying a 10 per cent surtax on incomes over $1m.

The tax-cutting frenzy of the past few weeks has left many sceptical. If a tax cut is to "jump-start" the sluggish economy, critics argue, it must be massive and immediate; nor must its stimulative effect be negated by offsetting cuts in government spending.

The chances of implementing a tax cut during the current session of Congress, which is expected to close by the end of this month, are thought to be virtually extinct.

But tax cut proponents believe a deal could be achieved early next year if the Democrats accept the long-standing Republican call for a capital gains tax cut in exchange for the administration dropping its hostility to some Democratic proposals.

Perhaps the biggest obstacle is last year's budget compromise agreement, which seeks to enforce fiscal discipline by barring any tax cut that would increase the budget deficit.

Congress's attachment to the budget agreement is wavering, but has not yet crumbled. The Bush administration, on the other hand, fears that allowing one exception to the agreement would open up a Pandora's box of fiscal imprudence.

- Four federal bank regulatory agencies yesterday issued guidelines on the evaluation of commercial property loans designed to make sure that supervisors are not aggravating the credit crunch. They said they wanted "to ensure that regulatory policies and actions do not inadvertently curtail the availability of credit to sound borrowers".

The guidelines ask supervisers not to classify property loans as doubtful if they are producing cashflow or are guaranteed by sound borrowers or strong collateral. Banks will not be criticised for carrying weak loans, so long as they have effective internal controls and well-conceived plans for working through problems with borrowers.

Weekend FT

Tomorrow: BCCI ehind closed doors · inside the biggest banking fraud in iistory. First of a seven-part series

ONTENTS

British government spending plans attract scepticism

On Wednesday, Norman Lamont, Britain's chancellor of the exchequer, greatly increased public spending. Many analysts believe he has abandoned his commitment to balancing the books.

Page 11

MARKETS

STERLING
New York lunchtime:
$1.7803
London:
$1.78 (1.7715)
DM2.90 (2.9075)
FFr9.92 (9.935)
SFr2.5625 (2.5675)
Y230.75 (230.0)
£ index 91.3 (same)

GOLD
New York Comex Dec
$354.7 (355.8)
London:
$354.8 (354.35)

N SEA OIL (Argus)
Brent 15-day Dec
$21.925 (22.125)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.6303
FFr5.577
SFr1.4405
Y129.62
London:
DM1.629 (1.641)
FFr5.5725 (5.6075)
SFr1.439 (1.4495)
Y129.7 (129.85)
$ index 63.3 (63.5)
Tokyo close:129.93

US LUNCHTIME RATES
Fed Funds $4\frac{11}{16}$%
3-mo Treasury Bills:
yield: 4.742%
Long Bond:
$101\frac{5}{16}$
yield: 8.001%

STOCK INDICES
FT-SE 100:
2,538.0 (+3.8)
FT-SE Eurotrack 100:
1,090.12 (+0.62)
FT-A All-Share:
1,228.06 (+0.2%)
New York lunchtime:
DJ Ind. Av.
3,048.97 (+10.51)
S&P Comp
392.25 (+2.28)
Tokyo: Nikkei
24,448.76 (−303.44)

LONDON MONEY
3-month Interbank:
$10\frac{11}{32}$% ($10\frac{3}{8}$%)
Liffe long gilt future:
$94\frac{3}{4}$ ($95\frac{3}{8}$)

Senior minister backs move to oust Haughey

By Tim Coone in Dublin

THE Irish government was thrown into turmoil last night after Mr Albert Reynolds, the finance minister, joined rebel deputies challenging the leadership of Mr Charles Haughey.

Mr Reynolds said political instability was eroding confidence in democratic institutions.

"This uncertainty must not be allowed to continue," he said. "The well-being of our country requires strong and decisive leadership of government and of the Fianna Fail party. I am not satisfied that such leadership now exists."

Mr Reynolds said he would back a challenge to the prime minister at a meeting of the ruling Fianna Fail party on Saturday.

Mr Gerard Collins, the foreign minister, last night appealed to Mr Reynolds to reconsider his decision. He said it would create chaos and wreck the government.

Mr Reynolds is widely considered the most probable successor to Mr Haughey, and his breaking of cabinet ranks is likely to sway wavering deputies to the rebel cause.

Mr Reynolds believes he has the support of a majority of the 77 Fianna Fail deputies in the Dail (lower house of parliament).

Mr Haughey's leadership has been in question for two months, following the discovery of dubious financial deals in two state companies. Five senior civil servants appointed by Mr Haughey's government have resigned as a result. Several were personal friends of Mr Haughey, and his handling of the resulting crises has brought intense criticism and raised concern within the Fianna Fail party that Mr Haughey is becoming an electoral liability.

In challenging Mr Haughey, Mr Reynolds has not said whether he will resign as finance minister, but should Mr Haughey win Saturday's vote his position in the cabinet would become untenable.

Procedural wrangling over the no-confidence motion continued last night, with uncertainty as to whether 31 senators and 6 European MPs will be able to vote. Mr Haughey can count on firmer support from his senators, but the leadership is normally decided only by the deputies.

A meeting of 21 Fianna Fail senators last night resolved that they should have voting rights "on all issues or none".

GATHERING OF LEADERS: On left, President François Mitterrand of France points the way for Secretary General Manfred Wörner and President George Bush. On right, Mr Wörner (centre) briefs Chancellor Helmut Kohl and his foreign minister, Mr Hans-Dietrich Genscher

Nato fears loss of Soviet control of nuclear arms

By Lionel Barber and Robert Mauthner in Rome

THE NATO allies, alarmed by the disintegration of the Soviet Union, will today urge the republics to maintain central control over nuclear weapons and restrict the growth of individual armed forces.

According to a draft circulating yesterday, the alliance will also call upon the central authorities in Moscow and the republics to adopt "firm measures" to prevent the export of nuclear weapons and other military nuclear technology.

The draft alliance statement will be included in an annexe to a joint Rome Declaration on the future political and military role of Nato. It follows strong US pressure, with President George Bush pressing for a warning about the risks from nearly 30,000 nuclear warheads in the Soviet Union.

However, it remained unclear yesterday how far western governments intend to use their political and economic leverage over republics such as the Ukraine and Kazakhstan who are using their nuclear weapons as bargaining chips in negotiations with the Russian republic.

The draft statement declares that Nato supports economic policies which promote trade and economic co-operation among the republics "in the interests of growth and stability". Although it holds out the prospect of future aid through international financial institutions such as the IMF and World Bank, to build a market economy, it avoids a direct commitment from western governments beyond technical assistance and humanitarian aid such as food and medicine this winter.

Technical and humanitarian aid, the draft says, is "a vital contribution to the future security of Europe and the world as a whole".

Instead, the Nato statement sets out principles such as the respect of human rights, free and fair elections, and the preservations of internal and external borders consistent with the Helsinki Final Act of 1975 governing east-west relations. It also urges that the Soviet Union and the republics take all necessary action to ensure that earlier international agreements signed by the Soviet Union, especially the Start treaty on long range weapons, the Conventional Forces in Europe treaty, the nuclear non-proliferation treaty, and the biological weapons convention are respected, ratified and implemented.

The draft says: "We urge restraint in the development of conventional and nuclear forces that by their size and character could exacerbate political tensions, retard market economic reform and contradict efforts to reach lower and more stable levels of forces as embodied by the CFE treaty."

Scrivener caveat on energy tax idea

By Andrew Jack

THE ENVIRONMENT must not be used as a pretext for an increase in the overall tax burden in Europe, Mrs Christiane Scrivener, the European commissioner in charge of tax, said yesterday.

Mrs Scrivener said she was against EC proposals for an energy tax to reduce carbon emissions unless it was accompanied by reductions and incentives to compensate. If any new environmental taxes were to be introduced, there should be strict tax neutrality. The introduction of any new taxes Europe-wide in the run-up to the single market in 1993 would be "disastrous", Mrs Scrivener said.

Speaking at an FT conference on the emerging European tax system yesterday, she said: "European industry must not be penalised." She stressed that the chemical, steel and oil industries in particular should not suffer.

Mrs Scrivener said she was against environmental taxes and favoured instead energy incentives for companies. "It is just impossible to say a tax will solve everything.

"I am not sure a tax is the best way to protect the environment. International action should be taken. The Community alone is not able to shoulder the burden of a task at the world level."

There would be a tendency towards the convergence of European tax systems over the next few years rather than through any form of regulated harmonisation.

"I am convinced that market forces will finish the work we have started," she said. "We must not be afraid of a certain degree of competition between national tax systems within the European Community."

The main priority for 1993 was to suppress the main forms of double taxation. There was an "urgent case" for the Council to adopt a directive on the abolition of withholding taxes on interest and royalty payments within groups of companies, and one on the consolidation of losses of permanent establishments and subsidiaries in other member states.

Serbian government takes steps to set up its own army

By Laura Silber in Belgrade

THE WAR between Croatia and Serbia is likely to escalate after the Serbian government yesterday set up a special committee aimed at establishing an all-Serbian army.

The move reflects Serbia's frustration over its inability to crush Croatian forces, and its determination to defend itself against any possible full-scale military offensive from Croatia.

Croatian forces launched three attacks on Serbian soil earlier this week. Until then, fighting between Serbs and Croats had been confined to Croatia, and latterly to the central Yugoslav republic of Bosnia-Hercegovina.

This latest move to set up an army by Mr Slobodan Milosevic, the president of Serbia, suggests he may be losing confidence in the federal army which appears to be disintegrating after four months of fighting in Croatia since the republic declared independence on June 25.

For its part, the federal army yesterday ordered Croat forces in the besieged Adriatic resort of Dubrovnik to surrender their weapons, while at the same time it continued to launch an air offensive throughout Croatia.

However, it is unclear how the federal army will react to the creation of an all-Serbian force. The army has repeatedly denounced other republican armies as "illegal, paramilitary forces".

A western diplomat said yesterday: "We will soon find out whether there is actually a split between the army and Serbia or if an agreement was made in advance."

The plan to create a Serbian force, under debate since last year, was revealed yesterday by Captain Dragan, the military commander of Serbs in Knin, the centre of the self-proclaimed Serbian autonomous region in Krajina, southern Croatia.

He told a news conference that "Serbia within three months will form a special force of 20,000 well-trained soldiers". He told Politika, a Belgrade daily which is the mouthpiece for the ruling Socialist party that "Serbia has enough weapons and equipment". But it is unclear how Serbia, whose economy is rapidly deteriorating, plans to finance the army.

Captain Dragan refrained from direct criticism of the federal army, but commented: "How can we expect the federal army to function well in a country that is falling apart?"

Serbia's opposition leaders have also supported the creation of a republican army. According to Mr Zoran Djindjic, a parliamentary deputy of the opposition Democratic party: "A Serbian army will suppress tensions. There will be less fear and violence because now people think they will die, unprotected, if the federal army collapses."

Mr Vuk Draskovic, head of the nationalist Serbian Renewal Movement, said: "No one trusts the Communist federal army, which is filled with traitors. It is the easiest way to reach a peace settlement; the Croats will think seriously about a war against a Serb army."

● Nato, European Community officials and Lord Carrington, chairman of the EC-sponsored peace conference on Yugoslavia, are expected today to discuss the implications of imposing sanctions as well as ways to achieve a ceasefire throughout the country.

Estonians look forward to having their gold back

By David Marsh, Europe Editor

ROUGHLY $50m worth of gold taken over from Estonia by the British government after the second world war look set to return to the newly independent Baltic state after talks in London yesterday.

Perched on a stool in the Red Lion public house opposite the Foreign Office in Whitehall, Mr Siim Kallas, the 43-year-old governor of the Estonian central bank, sipped a gin and tonic and declared: "We have a common understanding that this must be solved."

Mr Kallas had just finished a first round of negotiations with British officials led by Mr Michael Tait, assistant under-secretary at the Foreign Office. A spokeswoman for the Foreign Office confirmed that the two sides "agreed the objective of reaching a mutually acceptable settlement as soon as possible".

The 50-year bullion imbroglio has threatened to bedevil relations with the Baltic states. The Estonian dispute centres on 4.8 tonnes of gold deposited with the Bank of England before the Soviet occupation in 1940, and subsequently sold by the British government.

Final agreement on restituting the gold will not come before next year. The two sides must first draw up a complex accord for Estonia to repay holders of pre-war Estonian bond issues and other government obligations. Mr Kallas affirmed his desire to settle foreign claims relating to official Estonian debts, but said sorting out claims over property and assets taken over by the Soviet state posed more of a problem.

Delegations from Latvia and Lithuania are holding separate talks with the Foreign Office today and next Wednesday to pursue similar claims for restoration of gold held before 1940 with the Bank of England.

Mr Kallas, a former savings bank official, journalist, university lecturer and member of the Soviet parliament, has been in his job just five weeks. A dapper moustachioed figure with a cautious smile, he earns 3,000 roubles a month (£20), less than 1 per cent of the salary of Mr Robin Leigh-Pemberton, governor of the Bank of England, whom he will be visiting at the Bank today.

Britain never formally recognised the 1940 Baltic takeover by the Soviet Union, meaning that the 1968 gold sale was highly questionable on legal and moral grounds

Mr Kallas said he would be exploring central banking co-operation with the Bank of England. He will suggest today that the Bank should deposit with the Bank of Estonia a small part of Britain's currency reserves on a short term "swap" basis – under which central banks make routine three month credits to each other – to bolster his bank's fragile foreign exchange reserves. But he has a down-to-earth assessment of the clout Estonia may bring to bear on Mr Leigh-Pemberton. "I don't think he will. They must avoid risks. They will only do it if it is useful for themselves."

The discord over the gold deposited by the three Baltic states stems from Britain's decision to sell the bullion in 1968 for £5.8m as part of an agreement with the Soviet union. The money was mainly used to reimburse Britons who had lost assets invested before the war in the Baltic states.

Britain never formally recognised the 1940 Baltic takeover by the Soviet Union, meaning that the 1968 gold sale was highly questionable on legal and moral grounds. Mr Kallas yesterday however was in no mood for recriminations. "No-one believed then that Estonia and the other Baltic states would become independent... We do not blame them (the British government)."

Estonia stands to recoup before long a further 6.5 tonnes of gold deposited with other foreign central banks before the war. These include stocks held with the Bank for International Settlements, the central bankers' bank in Basle which the Bank of Estonia joined in 1930 as a founder shareholder. It aims eventually to reclaim both its seat and accumulated dividends in Swiss francs – a windfall which has been accruing for 50 years.

The gold, once restored, will be used to back the Estonian currency, the kroon, when it is relaunched after a gap of half a century probably in the middle of next year, Mr Kallas said.

The banknotes have already been printed and are currently stored abroad. With the canniness which comes naturally to a fledgling central banker, Mr Kallas would not say where.

Commercial TV licence awarded in Sweden

By John Burton in Stockholm

THE SWEDISH Government yesterday awarded the licence for the country's first commercial TV channel to a consortium whose main shareholders are the telecommunications and media group Kinnevik and the Wallenberg investment company Patricia.

The concession was granted to the TV4 consortium despite criticism by the Swedish Price and Competition Office that it would give Kinnevik a dominant influence in the country's TV advertising market.

In addition to being the biggest shareholder in the new terrestrial channel with a equity share of 30 per cent and voting power of 36 per cent, Kinnevik also operates the commercial Scandinavian satellite channel TV3. TV4 will co-operate with TV3 in advertising production and sales.

The only main competition that Kinnevik will face in the Swedish TV advertising market will be the satellite-transmitted Nordic Channel, which was bought last month by TV 1 Europe, a group of European and US investors who already have stakes in local TV channels in Denmark and Norway. Sweden also has two non-commercial, state-run channels.

Kinnevik last week obtained its shareholding in TV4, which now broadcasts by satellite, in return for withdrawing its rival bid for the new Swedish channel. TV4 will cease its satellite broadcasts after the terrestrial channel begins operating on March 1 under a licence that will last until 1998.

TV4's other main shareholders including Patricia with a 25.4 per cent stake, the pension fund SPP and the agricultural co-operative movement with 19 per cent each, and the publishers Natur and Kultur with 6.6 per cent. TV4 will pay an initial concession fee to the state of SKr50m ($8.3m) per year, but the rate could climb to SKr500m if advertising revenue exceeds SKr2bn. The money will be used to help finance the non-commercial TV channels. The government will also allow advertising on cable TV channels from January 1.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Italian steel group to shed production

By Robert Graham in Rome

ILVA, the Italian state steel concern and Europe's second largest steel company, is to go ahead with radical plans to hive off 20 per cent of current production and concentrate on its core business of flat products.

The move was agreed yesterday by the board of IRI, the *state holding company controlling* Ilva, in conjunction with Mr Giovanni Gambardella, the latter's chief executive.

Under the plan, Ilva anticipates selling to either Italian or foreign buyers the bulk of its long products operations and other non-core activity over the next three years in order to cut net indebtedness by L3,000bn (£1.4bn). This, in turn, is expected to cut costs *by some L1,000bn during the* same period.

An Ilva spokesman said yesterday the move was to reinforce the group's position in ordinary and specialised flat products where it was already a European leader and enjoyed impressive 14 per cent operating margins.

However, the company's restructuring has also been brought about by pressure from Brussels seeking to limit state aid to the industry.

Ilva's proposed savings are close to the amount spent on acquisitions since the company was formed in 1988 out of a restructuring of the state steel sector. The company has been looking to the government for help with an increase in capital to underpin an ambitious L4,000bn four-year investment programme co-ordinated with Brussels.

So far, it has obtained roughly a quarter of the funds needed via the transfer to Ilva of Sofim, the state agency entrusted with economic development in the south. Sofim has a L350bn paid-up capital.

Ilva's finances have been hard hit by a combination of a 25 per cent fall in steel prices since 1989 and heavier-than-expected debts inherited from Finsider, the former state steel concern.

The group currently produces 11.3m tonnes of steel. Under yesterday's agreement production will now be concentrated in the plants at Novi Ligure, Taranto, Terni and Turin while production to be sold-off will be the plants at Aosta, Dalmine, Della Capolo, Piombino, along with stakes in Magona and Sidermar.

Russia seeks direct credit deals with west

By John Lloyd in Moscow

RUSSIA believes western export credit agencies will soon extend credit guarantees direct to Russia, instead of insisting that they receive counter guarantees from the Soviet external trade bank.

Mr Boris Yeltsin, the Russian leader, hopes to sign an agreement in two weeks time with Hermes, *the German state* export credit insurance company, during a visit to Germany. Documents are being prepared for an agreement between Hermes and the Russian Vneshtorgbank, the bank for foreign trade, Russian officials said yesterday.

At the same time, Mr Valery Telegin, chairman of Vneshtorgbank, is in the US for talks with Eximbank, the US export *credit guarantee agency*, and with US congressmen and senators. Mr Telegin believes Eximbank will also soon grant credits to Russia.

Russian officials say that feelers to other western credit institutions are proving encouraging.

A number of projects, especially in the energy field, are being prepared – ready to proceed once agreements are signed between the western agencies and Vneshtorgbank.

Credits are likely to be advanced on a project-basis – that is, the hard currency proceeds of the projects will be earmarked to pay the cost of goods and services imported.

● *Radical reformers who are* urging a "Russia first" policy and an end to efforts to continue all-union institutions were last night appointed to top posts in a new Russian cabinet.

Mr Egor Gaidar, head of the Institute of Economic Policy and in charge of economists drafting decrees to implement the reform laid out by Mr Yeltsin last week, is to become deputy prime minister in charge of economic policy. Mr Alexander Shokhin, a close colleague of Mr Gaidar's and Russian labour minister, is named deputy prime minister in charge of social policy.

Mr Gaidar and Mr Shokhin, both academic economists, are keen proponents of rapid and complete reform – but within Russia.

Bonn agonises about the proper welcome for the Russian leader

Yeltsin poses red carpet problem

By Quentin Peel in Bonn

WHEN IS a head of state not a head of state? When he's called Boris Yeltsin.

The Russian president is coming to Germany on November 21 at the invitation of Chancellor Helmut Kohl, and the protocol department did not know how to treat him. How long a carpet should he have? How many "white mice" (as the police motorcyclists are known in Bonn) and how many Mercedes should be in the cavalcade?

After all, Mr Yeltsin may not *be the head of a state as such;* but he was the hero of the failed Soviet putsch in August, he is the president of an increasingly sovereign Russian federation which is still several times larger than any other European country, his political authority in Moscow is almost certainly greater than that of President Mikhail Gorbachev, and he is notoriously sensitive about appearances.

*Previous official visits (pre-*putsch) to both the US and to France have been marked by embarrassing incidents when Mr Yeltsin considered himself deliberately slighted, being treated as a provincial politician rather than a head of state.

"I think you can take it for granted we will not make the same mistake," a senior German official said this week.

Mr Boris Yeltsin: a man Bonn is anxious not to slight

In fact the Foreign Ministry has already decided that Mr Yeltsin's visit will be treated as "a working visit of a head of state": that is to say, not all the massed bands, but the full complement of flags and carpet, not to mention cavalcade.

"The problem has been blown out of all proportion," according to a ministry spokesman. "The question was asked (by the protocol department) and that is the answer we have given."

However, the problem of how and when to treat with the (ex-)Soviet republics, as opposed to the lingering institutions of the union, is causing problems for the German government across the board. Requests for the extradition of Mr Erich Honecker, the former East German leader, have had to be duplicated to the Russian Foreign and Justice ministries, having already been sent to the same Soviet ministries. Who is actually responsible for his eventual extradition is completely unclear.

Another touchy question concerns the opening of new missions in the republics. Germany wants to reactivate the former East German consulate in Minsk, the capital of Belorussia.

So far it is uncertain whether the staff should be accredited exclusively with the Belorussian authorities (as they insist), or with Moscow, or with both.

The same problem concerns the German plan to open a consulate general in Kazakhstan, and is also holding up the British government in setting up a similar operation in Kiev, the Ukrainian capital.

"We don't even know who is going to grant diplomatic immunity," said one diplomat involved. "If our people have to fly through Sheremetyevo airport (in Moscow), they could get turned back if they only have accreditation with the republic."

Hungary devalues to protect producers

By Nicholas Denton in Budapest

HUNGARY yesterday devalued the forint by 5.8 per cent in an effort to cushion producers facing stiff import competition.

The government said it intended the devaluation, which takes effect today, to be Hungary's last abrupt exchange rate change.

Mr Gyorgy Suranyi, president of Hungary's central bank, said the authorities would move "step by step" over the coming year to a flexible exchange rate.

This would set the scene for a relaxation of some exchange controls, but any move towards currency convertibility for capital movements was not expected.

With inflation higher in Hungary than the west, and with liberalisation of imports, local companies have been coming under severe pressure.

● Romania has frozen all hard currency accounts of state owned enterprises with the aim of introducing a uniform rate of exchange for the lei, writes Judy Dempsey.

SPD ready to block German tax changes

By Quentin Peel in Bonn

AN IMPORTANT package of tax changes, including a 1 percentage point increase in value added tax, reductions in taxation on enterprises, and improvements in child allowances, has been cleared for approval by the German Bundestag today.

However the package is likely to be rejected by the Bundesrat – the upper house of the German parliament – *where the opposition Social* Democrats (SPD) have a majority, and therefore will have to be decided by a conciliation commission.

The package was cleared on Wednesday by the finance committee of the Bundestag, which made amendments to allow for a net tax gain of DM5.3bn, against an original DM5.6bn proposed by Mr Theo Waigel, the finance minister.

Mr Waigel yesterday defended his plans, above all for enterprise tax cuts, on the grounds that excessive company taxation was the greatest single disincentive to foreign investors coming to Germany. He also argued that the tax cuts, although coming at a time of unprecedented demands on the state budget from German unification, are essential to ensure competitiveness of German industry once a single EC market is in place at the end of next year.

Both the VAT increase, to take effect from January 1, 1993, and the enterprise taxation cuts, have been fiercely resisted by the SPD-led opposition. The social democrats argue – with the Bundesbank – that the VAT increase from 14 to 15 per cent will raise inflation, stoking higher wage demands.

They *also insist that* German industry is already competitive, and it is not the right moment to give more generous tax allowances, when the budget deficit is stretching state resources and capital markets.

Mr Waigel told the annual meeting of the German insurance industry association in Bonn that the changes in company taxation – including better *provisions for writing off* capital investment – were essential to improve German competitiveness.

Latest figures for the inflow of foreign investment show a sharp drop in the first six months of 1991, down to DM851m from DM2.56bn in the same period of 1990.

Usinor plan to cut 6,700 jobs

By William Dawkins in Paris

USINOR SACILOR, the French state-owned steelmaker, has begun to consult staff on plans to shed 6,700 jobs by 1994.

The company indicated in September that it needed to make "several thousand" job cuts to bring productivity in line with its main competitors, but this is the first time the scale of the reductions has been made public.

The latest cuts, which follow a 56 per cent reduction in Usinor Sacilor's workforce to 66,000 over the past 10 years, were announced by unions after a meeting with Mr Francis Mer, Usinor Sacilor's chairman.

Usinor Sacilor announced a collapse in first-half profits earlier this week, but is making no formal announcement on jobs until after works councils have been consulted. It does not deny the unions' figures.

Each redundant employee will be offered two alternative jobs outside the group, said a company spokeswoman.

The biggest cuts would fall in Lorraine and Normandy where union officials expect 3,000-4,000 people to leave the group.

Former senior official charged over Pechiney

By William Dawkins in Paris

A FORMER senior official from the French Finance Ministry was charged yesterday with insider trading, in the latest twist in a long-running scandal surrounding a takeover by Pechiney, the state-controlled aluminium and packaging group.

He is Mr Alain Boublil, 43, who resigned in January, 1989, as director of the private office of Mr Pierre Bérégovoy, the finance minister, in the wake of allegations that he was involved in illicit share dealing ahead of Pechiney's takeover of Triangle Industries.

Official charges against a figure who had so much influence provide extra *ammunition for* the opposition at a time when the Socialist government is already under attack from several sides. Mr Boublil, the eleventh person to be charged in the Pechiney-Triangle affair, has always denied insider trading. He said yesterday he took the charges as an opportunity to put vindicate himself.

Mr Boublil has not had to pay bail because the examining judge does not think he benefited personally from insider trading. The Finance Ministry was told about the takeover in advance and Mr Boublil is suspected of having provided privileged information; on the strength of which French investors bought Triangle shares shortly before the takeover.

General strike in Greece over austerity measures

By Kerin Hope in Athens

SEVERAL hundred thousand Greek workers yesterday staged a one-day general strike in protest at the conservative government's economic austerity policies.

The conservative prime minister, Mr Constantine Mitsotakis, who has a two-seat majority in parliament, has been criticised by unions for trying to curb Socialist welfare programmes and raise revenues to cover big state deficits.

Price increases for public services helped drive inflation to about 18 per cent in September. But Mr Mitsotakis has said that Greece would go bankrupt servicing a $55bn public debt unless drastic measures were taken.

The strike affected most public services, including hospitals and transport around the country. Olympic Airways, the state carrier, said that flights would be delayed but not cancelled.

Staff at state-controlled banks joined the walk-outs and civil servants held a four-hour work stoppage in sympathy with the strikers. Workers at the Public Power Corporation said they would stay out for an extra 24 hours and and warned that electricity cuts were likely. However, few private

Mitsotakis: criticised

sector workers joined the strike and most shops remained open.

About 20,000 strikers marched through central Athens to parliament, where leaders of the General Confederation of Trade Unions handed in a resolution asking the government to abandon its privatisation programme and give up plans to transfer more than 10,000 public sector workers to understaffed state enterprises.

The Greek trade union leader, Mr Dimitris Kostopoulos, addressing the marchers, said: "This is just a warning against the government's inhuman policies. This is a matter of survival and we will fight to the end." About 15,000 jobs have been lost so far this year from closures of nationalised companies which failed to attract buyers.

The government says the transfers will continue under a scheme to cut public sector employment by 10 per cent by 1993 without dismissing any workers.

Mr Byron Polydoras, the government spokesman said: "Our incomes policy will remain firm. Everyone must show a sense of responsibility."

Under a three-year economic stabilisation plan launched at the start of the year, wage increases for 1991 were held to an average 10 per cent, well below the 18 per cent inflation rate.

Since little progress was made on cutting the public sector deficit, the government plans to restrict wage increases to 6 per cent during 1992.

Yugoslav army reservists helping refugees to safety near the besieged town of Vukovar in eastern Croatia

Greeks pay the price for high spending sins

Kerin Hope in Athens reports on continuing attempts to stabilise the country's flagging economy

THE normally brusque butchers of Athens, used to reserving their best cuts for favoured customers paying a large premium are becoming courteous. As a deepening recession erodes household budgets, they find only frozen mincemeat easy to sell.

Greeks spend a higher proportion of their income on food than other EC nations, with food imports, especially of meat and dairy products, making a major contribution to the country's widening current deficit. This totalled $3.6bn last year, about 6 per cent of gross domestic product.

This year, the first of the three-year stabilisation programme launched by the country's conservative government in return for an EC emergency loan of Ecu2.2bn , import growth slowed to 8 per cent.

Stockpiles are being run down in response to slackening consumer demand, and exports remain weak, partly because Greek access to western European markets, which absorb two-thirds of products sold abroad, has become more difficult.

Civil strife in Yugoslavia blocked the main overland route from Greece to Germany in early summer, and the alternative, time-consuming sea-crossing to Italy adds at least 25 per cent to haulage costs.

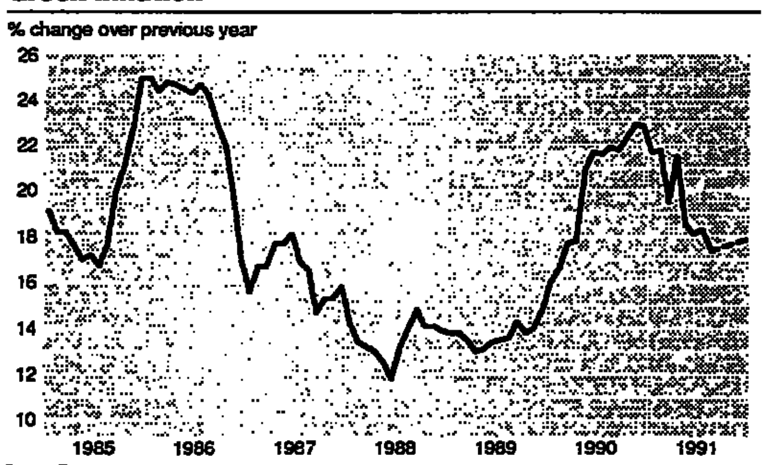
Officials at the bank of Greece remain confident that the current account deficit will fall below $2.4bn this year as a result of increased EC transfers to support infrastructure projects, and a healthy trend in private capital inflows, but there is little good news from the finance and economy ministries, where mutual recrimination is being voiced over a conspicuous failure to reduce a government deficit forecast to reach a record 21.2 per cent of GDP.

The 1991 deficit target, agreed with the European Commission in January in order to secure the first Ecu1.1bn loan tranche, will be missed by such a wide margin that Greece can expect difficulty in persuading its EC partners to release the next Ecu600m installment due early next year.

The government's net borrowing requirement, forecast to fall from 17.4 to 10.4 per cent of GDP this year, will only decline by three percentage points, the Commission says in its latest report on the Greek economy.

According to a senior economy ministry official, next year's net borrowing target of 5 per cent of GDP "is obviously out of reach and 10 per cent might be a more realistic estimate."

Growth forecasts of around 1.5 per cent for 1991 have been revised downward to 0.8 per cent. Growth would be negative for a second successive year, if it were not for a bumper harvest this year. While year-on-year inflation declined from 22.8 per cent in 1990 to 17.9 per cent in September, just a



Source: Datastream

point above this year's target, a surge in prices this month, as retailers seek bigger margins to compensate for slow sales, threatens to reverse the trend.

If Greece is to keep alive its chances of joining the Exchange Rate Mechanism of the European Monetary System in 1993 and participating in the next stage of EC monetary union, both inflation and the borrowing requirement must be rapidly reduced to single digits.

This year's projected budget shortfall of only Dr680bn ($3.6bn) is mainly attributed to overly optimistic expectations for income from privatisation and a crackdown on tax evasion.

The government hoped to raise more than Dr300bn from the disposal of 40 debt-burdened state enterprises, floating public utilities on the Athens Stock Exchange and selling parcels of state property in the form of land bonds. However, bureaucratic and legal problems pushed back the timetable: revenue from privatisation will probably total less than Dr20bn for 1991, while the land-bond scheme may attract little interest, since most liquidity is now absorbed by regular issues of Treasury bills and five-year government bonds.

The Commission report noted that tax evasion was on the increase, despite the Finance Ministry's efforts to catch up with the self-employed (from plumbers to doctors) who manage to avoid the tax net by not issuing receipts. Tax revenues were expected to rise by 34.1 per cent in 1991, but the onset of recession, coupled with the slow pace of computerising tax offices in order to cross-check returns, means that only a 26.6 per cent increase is now predicted.

The Government was also lax in curbing state-enterprise spending overruns, which are likely to total over Dr150bn.

As plans for 1992 were drawn up, arguments between cabinet ministers (seeking substantial rises in public spending) and finance ministry experts (anxious to hold increases at 10 per cent) grew so acrimonious that Prime Minister Constantine Mitsotakis decided to chair budget meetings himself. Although the budget will not be ready before the end of the month, it is already clear that, regardless of political pressures, the stabilisation programme will have to be extended.

Poland's biggest fraud exposes banking system

By Christopher Bobinski in Warsaw

POLAND's banking authorities are trying to trace Zl 3,350bn ($330m) worth of funds following the collapse of a private company which has led to the country's largest financial scandal, according to a senior Polish banking official.

Mr Andrzej Topinski, acting head of the central bank, said in a recent interview that "a significant part" of these funds had already been taken out of the country by the company's owners before they fled to Israel in August.

The case, which rocked the Polish banking community, has led to the detention of Mr Grzegorz Wojtowicz, the former head of the central bank, the National Bank of Poland.

He has since been charged with negligence leading to serious losses to the national economy. A number of other senior banking officials have also been arrested.

The company, Art B, was a small private trading operation owned by Mr Boguslaw Bagsik, a 28-year old musician, and Mr Andrzej Gasiorowski, a 32-year old doctor who were based in the southern Polish border town of Cieszyn.

It achieved a certain notoriety last spring when it promised to purchase the entire annual output of the Ursus tractor factory that was once a stronghold of the Solidarity trade union movement and was suffering heavy financial losses. As a result, Art B was perceived as the wonder child of Poland's fledgling capitalist regime. But that image was short-lived.

During the summer and autumn of 1990, Mr Bagsik and Mr Gasiorowski began a number of financial operations which were based on credit guarantees – of dubious value – and which were issued by the state owned PKO BP, or savings bank. These guarantees enabled their company to run up debts worth Zl 4,200bn by August of this year.

On paper, at least, Art B's bank deposits in Polish banks amounted to Zl 850bn. However, the Polish authorities are now trying to trace the balance, which also includes domestic investments.

Mr Topinski would not be drawn on the precise extent of the losses, but it is understood that the scale of the outflow of funds from this one source could be compared to Poland's borrowings this year from the World Bank which amount to around $200m. Mr Bagsik is also being sought by Polish prosecutors for allegedly bribing a bank official.

Art B also operated a wide-ranging cheque "kiting" operation which involved depositing the same cheque in various bank accounts and simultaneously earning multiple interest. This helped obfuscate the scale of borrowing from Polish banks the company was engaged in.

When the crash occurred last August, Art B's Zl 4,200bn worth of debts were held largely by the small private Bank Handlowo Kredytowy (BHK) in Katowice. However, the burden proved to be too great for BHK, which in effect is now being bailed out by the central bank. The central bank, to save BHK, has agreed to cover the Zl 4,200bn debts as they fall due.

The scandal has not only embarrassed the authorities because of the scale of the losses – it also has implications for the Polish banking system whose outdated facilities have been clearly exposed.

Prague economics minister defends use of vouchers in sell-off

By Ariane Genillard in Prague

FT CONFERENCE

FINANCE, INVESTMENT & TRADE WITH CZECHOSLOVAKIA

CZECHOSLOVAKIA'S minister of economics, Mr Vladimir Dlouhy, reiterated yesterday his defence of the controversial vouchers scheme involved in the privatisation of the Czechoslovak economy as he addressed members of a Financial Times conference which opened in Prague.

The Czechoslovak privatisation programme includes the free distribution to citizens of vouchers which will become shares in the new private companies.

But increasing worries have been voiced regarding the future value of these shares. Companies privatised through the voucher scheme, which does not input fresh capital, may end up with small equity value.

Foreign investors could then buy the shares at prices which, critics say, would be considerably low compared to direct investment.

Addressing western businessmen from 19 countries, Mr Dlouhy reasserted his belief that the privatisation of the Czechoslovak economy would take "600 years if equity was not distributed directly to the citizens".

He stressed the need to emphasise the speed of the privatisation process rather than pay importance to the price which could be obtained from the direct sale of the equity of companies.

On Wednesday, however, the Czechoslovak authorities announced that the voucher scheme will be delayed by three months. The distribution of vouchers was scheduled to begin in January.

However, it has now been postponed until March following difficulties being experienced by the privatisation ministries in both the Czech and the Slovak republics.

Their problems are due to the complexities of processing the privatisation proposals submitted by the individual companies.

The two-day Conference on Finance, Trade and Investment in Czechoslovakia, which was organised by the Financial Times and co-chaired by the Royal Institute of International Affairs, brought together in Prague western experts on privatisation and potential foreign investors to meet leading members of the Czechoslovak government.

Topics of discussion yesterday also included the reform of the banking sector and the role of foreign investment in Czechoslovakia's move toward a market economy.

WORLD TRADE NEWS

Dunkel's Uruguay Round hit-list

William Dullforce reports on the obstacles to be overcome before the Gatt deadline

GATT

MR ARTHUR Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), yesterday presented an *awesome list of* obstacles still to be overcome, if the Uruguay Round trade talks are to be completed by the end of this year. But, he added encouragingly, it took more space to describe the problems than to write solutions for them. Some could be settled in five minutes, if the wish existed to do so.

While his 10-page stock-taking paper emphasises the complexity of the interlocked and differing interests of the more than 100 countries involved, it also illustrates how the resolution of an issue in one area can provide answers to difficulties in others. A few key decisions would prompt a chain reaction of results.

Two triggers are needed to set off liberalising cuts in tariffs and non-tariff barriers across the full range of trade in manufactured and natural resource-based products such as minerals and timber. The first would be an agreement in the talks on the reform of world farm trade on the methods to be used to reduce countries' border protections against food imports. The second would be an accord of vital importance to developing countries on how to liberalise trade in textiles and clothing.

A far-from-exhaustive list of the points made in Mr Dunkel's stock-taking paper includes the following:

● Agriculture: Talks aim at reaching a binding agreement *among governments to reduce* progressively trade-distorting support for agriculture in three areas: domestic subsidies, border protection and export subsidies.

In domestic supports the main difference concerns what should be put into a "green *box" of permissible policies* that would not be subject to cuts. Which direct payments to farmers can be allowed? The European Commission's plan for reforming the common agricultural policy envisages a switch from price supports to direct payments; the US and *the Cairns Group of farm* exporting countries fear that too big a green box might diminish the value of reductions in other areas.

Tariffication, under which all constraints such as import quotas are converted into tariffs and then reduced, has emerged *as the main instru*ment for tackling border protection. Outstanding questions include whether tariffication should cover all products. Would importing countries have to offer minimum access for certain imports? An what would be the thresholds in *quantities or prices of imports* at which governments could apply protective "safeguard" measures?

● Textiles and clothing: In deciding how to dismantle the Multi-Fibre Arrangement (MFA) which restricts most of the trade to bilaterally negoti*ated import quotas, negotiators* are stuck over the duration of the phase-out period, the products to be covered and the growth percentages to be allocated to quotas.

Another tough issue is how to apply the terms of the liberalisation process to the more than *two-thirds* of Gatt member states which do not at present participate in the MFA.

● Market access: Here the immediate problem is to press the farm reform and textile triggers so that exchanges of concessions on tariffs and non-tariff barriers can be negoti*ated bilaterally or by groups of* countries and then applied across the board under Gatt's non-discriminating most-favoured-nation (MFN) principle.

On tariffs, where the target is a one-third reduction, offers on the table must be improved and confirmed; the number of *tariff items where no offer has* been made must be reduced; tariff peaks and escalation must be properly addressed and governments must make "bindings" – undertakings not to raise tariffs again – at meaningful levels and for enough tariffs.

● *Gatt rules: Revision of* Gatt's anti-dumping code which has been extensively used by the EC and US in recent years to block imports of goods allegedly being sold at prices lower than those charged in the exporters' homelands, is an important *objective for Japan and the* newly industrialised countries. The difficulty remains to find a compromise between those wanting to tighten the rules determining how dumping is defined and those, like the EC and US, calling for new provisions that would allow them to *stop exporters circumventing* anti-dumping measures.

Points on which there is no agreement concern the criteria under which a dumping petition may be filed; the quantity of imports which could trigger anti-dumping action; methods of assessing anti-dumping *duties and their duration; ret*roactive application of anti-dumping duties and dispute settlement.

Two questions are outstanding in the talks on subsidies and countervailing measures. Will all governments accept that in return for tighter disci*pline on the use of subsidies in* general, some subsidies not intended to distort trade may be exempted from countervailing duties? To what extent can subsidies in developing countries be given special treatment?

In the reform of safeguards which Gatt permits governments to take in order to protect domestic industries against sudden surges in imports the EC's wish to apply measures selectively against the worst offenders is still an object of controversy.

● Intellectual property rights: Decisions are required on some *20 key issues concerning* the level and nature of the standards to be applied to the protection of rights and their enforcement. Since they will call for important changes in legislation in all countries, governments need to be convinced that the new rules will become operational and that an effective multilateral dispute settlement mechanism is in place.

This means that the US, for instance, has to agree to international controls in return for improved protection for its companies.

The difference between the US first-to-invent and other countries' first-to-file criteria for granting patents remains unresolved.

On geographical appellations, where the EC has taken the toughest line, it has to be decided whether additional protection should be accorded to wines and spirits and the conditions for exceptions to such protection.

Outstanding copyright issues include the nature of protection for computer programmes and for rental rights.

● Services: A General Agreement on Trade in Services *(Gats) is being negotiated* on three pillars: a framework agreement, annexes covering especially sensitive sectors and initial commitments by countries to liberalise trade in services. The linkage between the three is crucial.

The difficulties arising from *these linkages have still to be* resolved.

Although Mr Dunkel does not say so specifically in his stock-taking paper, the general perception is that the US will have to concede on its demands for exemptions for shipping and telecommunica*tions.*

Director general of Gatt Arthur Dunkel describing the remaining problems in Geneva yesterday.

EC and US seek deal on farming subsidies

By David Gardner in Brussels

EC and US attempts to get a breakthrough in the farm subsidies dispute blocking an agreement on the Uruguay Round continued in virtual secrecy yesterday. Mr Ray MacSharry, EC agriculture commissioner, met Mr Ed Madigan, US secretary for agriculture, for nearly three hours here.

After one-to-one talks without officials, neither would make any comment. Commission officials said "they are trading", but that a deal was not yet in sight. One senior official said before the meeting, however, that "quite careful arrangements have been made to allow for a breakthrough".

Both sides have agreed to keep the negotiations confidential, at least until this Saturday's meeting in the Hague between President Bush, Mr Ruud Lubbers, the Dutch prime minister and current EC president, and Mr Jacques Delors, Commission president.

Even if an advance is achieved by then, the Commission side is still unlikely to publicise it before getting sanction from the member states, even though Mr MacSharry and Mr Lubbers on Tuesday reached a joint position.

The assumption being quietly encouraged by senior Brussels officials is that the EC will improve its offer to cut domestic subsidies, probably by 30 per cent over five years. At last December's failed Gatt summit on the Uruguay Round, the EC's offer to cut *subsidies by 30 per cent over* 10 years counting from 1986 was rejected by its partners.

Yesterday's talks are understood to have concentrated on two main areas: the classification of direct income subsidies for farmers and market access to the EC. It is critical that the *US and Gatt accept that most* of the directly paid compensation for price cuts the EC plans as part of its farm reform plans is considered not to be trade distorting, in order for the Community to improve its offer. Officials believe progress is being made here.

More difficult is market access. Whereas export subsidies would come down drastically as a result of the sharp price cuts envisaged under EC farm reform, the Commission is under strong pressure to maintain adequate border protection, particularly against cereals *substitutes.*

Spain could clear way for progress in EC car dispute

By Andrew Hill in Brussels

ITALY and France are still dissatisfied with the July *agreement between Japan and* the EC on the import of cars into the Community.

But their attempt to protect their car industries from imports, by vetoing the adoption of uniform technical standards for cars in the Community, now appears doomed, after Spain indicated yesterday that it was likely to break away from its blocking alliance with the two countries.

Of 44 technical standards on EC type-approval of cars, 41 have been adopted, but the last three have been held hostage for more than a decade. That has enabled car-producing *countries which restrict* imports of foreign vehicles to take their time about registering so-called "parallel imports" which flow over their borders from more open markets.

Spain hinted to EC internal market ministers yesterday that it might be able to agree to the last three measures at the next meeting on December 19.

Other member states could then override Italy and France, which are still concerned that the vaguely-worded EC-Japan agreement does not provide watertight protection for their car manufacturers. In particular they are worried about imports of Japanese cars produced in Europe, which are formally not limited by the July deal.

Mr Martin Bangemann, the EC internal market commissioner, told ministers that the Commission was also working on new rules to clarify the status of agents, called *mandataires, who sell parallel imports* into restricted EC car markets.

The Commission's proposals may restrict *mandataires'* ability to challenge existing exclusive car dealerships, which have a block exemption from Brussels' competition regulations.

UK seeks EC help over exports row with Spain

By Anthony McDermott

THE British government yesterday said it had asked the European Commission to intervene in a dispute with Spain over delays caused by non-tariff barriers to medium-and small-sized British exporting companies.

Irked by what is seen as delaying tactics by Spain, Mr Peter Lilley, the UK trade and industry secretary, said that "After over 20 months, one of the British companies, Amstrad, is still awaiting formal approval for an important element of its satellite television receiver equipment. That is simply not acceptable." Other companies affected are Thermos and Trolex, producers of gas appliances.

The challenge to Spanish "type-approval" procedures was made under Article 30 of the Treaty of Rome which prohibits retrictions on trade between members states or measures having an equivalent effect.

The complaint identified six problems faced by the three companies: unacceptable delays in processing type-approval applications, excessive costs for UK exporters, the withholding of information by Spanish laboratories on tests carried out, inappropriate test procedures and equipment, the inconsistent application of tests, and the excessive effects of the re-testing of modified or updated equipment.

Mr Tim Sainsbury, the trade minister, said yesterday that Britain "was not challenging the right to have a testing procedure, rather the way it is being carried out".

US car industry targets Japanese with Super 301

By Nancy Dunne in Washington

MR Ryohei Murata, the Japanese ambassador, smiled through clenched teeth at a recent Capitol Hill lunch as one congressman after another rose to denounce *keiretsu*, the cartel-like system of Japanese business practices, and its impact on the US auto industry.

With the Big Three heading towards $4bn in losses this year, the congressmen had little time to spare for social niceties. An industry which accounts for 4.6 per cent of the country's GNP is in crisis, and the pain is still spreading, down to the $175bn a year supply sector and throughout the recession-battered economy.

Last Monday's introduction *of a new "Super 301 with* teeth" by Mr Richard Gephardt, the House majority leader, and Congressman Sandor Levin of Michigan was the first volley in a new offensive against Japan's air-tight domestic markets. It embraces "reciprocity" as a cornerstone of US trade policy and targets for sanctions "notorious unfair traders," like Japan, if big deficits continue in bilateral trade.

Mr Gephardt and Mr Levin are also labouring with others in the House to bring forth an auto bill, which is likely to demand, among other things, a "managed" market-opening agreement with Japan along the lines of the current semiconductor pact.

Imports, accounting for almost 30 per cent of the US car market, along with cars produced by US-based transplants, have swallowed more than half of the American car market. The US auto parts trade deficit with Japan is heading towards $12bn, up $3bn from five years ago, and, according to one study, it could hit $22bn by 1994.

Meanwhile, an estimated 400 Japanese auto parts suppliers have migrated to the US, and says Mr Levin, their doors are firmly closed to most US suppliers. A University of Michigan study of the sourcing of one Honda transplant found 38 percent of the components had been manufactured in Japan; 46 per cent by Japanese transplant suppliers; and 16 per cent were provided by US suppliers.

Bankruptcies among the suppliers are growing and another sector of high-paying jobs is *draining away.* "The Europeans wouldn't stand for this," said one Congressional aide.

Mr Levin and other congressmen have all but given up on administration action. They urged President Reagan to move on the growing auto parts deficit five years ago. Sectoral negotiations – called the Moss talks – produced nothing, and even the naming of Japan to the much-feared "Super 301" list has failed to reverse the tide.

"Some in the administration think it doesn't matter where you produce goods," Mr Levin said. "There is a mystique of a post-industrial economy ... that says if it is broke, don't fix it." The auto bill may not have the strength to override a presidential veto but "we want to shake up the complacency of the administration and tell them they'd better get off the dime."

Ukraine faces acute shortage of pharmaceutical supplies

By Chrystia Freeland in Kiev

THE Ukraine is facing a dangerous shortage of medicine because the Soviet central government has drastically cut the supplies of imported and domestically produced drugs sent to the independence minded republic.

Since the Ukraine's declaration of independence this summer government officials have also complained that the Ukraine's supplies of oil, wood and banknotes has been restricted. "This is a partial blockade," said Mr Maksym Drach, a Ukrainian health ministry official. "Economic factors are at work, but so are political ones," he said. According to Mr Drach, whose report is confirmed by western pharmaceutical companies, Medexport, the ironically named Soviet central organisation responsible for importing medicine, has supplies just over 10 per cent of the medicines the Ukraine needs this year. The Ukraine has received between 30 and 70 per cent of its requirements of various drugs manufactured in other parts of the Soviet Union.

The Soviet Union and the Ukraine import over 70 per cent of their medicines, which were traditionally produced in eastern Europe.

"There will be a big catastrophe in the near future if they do not resolve the problem of buying medicines," says Mr Ulrich Muller, Kiev representative of Germed, a German company which has exported pharmaceuticals to the Soviet Union for decades.

For 1991 the Ukraine ordered Roubles 750m worth of medicine through Medexport but has been supplied with only just over 10 per cent of that figure, according to the Ukrainian ministry of health statistics.

They estimate that in 1992 the Ukraine will require pharmaceutical imports totalling Roubles 900m.

Estonia seeks to buy Finnish oil

By Enrique Tessieri in Helsinki

MR JAAK Tam, Estonian minister of industry and energy, has turned to Neste, Finland's oil and chemicals group, to help supply his country with oil if Russian oil imports should fall this coming *winter.*

Estonia is already feeling the pinch of lower oil imports. Petrol is presently being rationed in Estonia at 15 litres a day per motorist.

According to Neste, oil supplies from Finland to Estonia this year could account for as much as 10 per cent of the country's total consumption needs of 3.5m tonnes.

Most of the oil which would be exported from Finland to Estonia would be heavy and *light fuel oil.*

Neste said that negotiations with the Estonian ministry of industry and energy would continue until December 15. "By then," said a Neste official, "we will have determined whether Estonia needs oil supplies from Finland. We will also agree about transportation and how the Estonians will pay for the oil."

Estonia has already taken steps to reduce its oil reliance on the USSR.

Last September, Neste and Estonia formed a joint venture to build a $50m petroleum terminal at Tallinn harbour.

The terminal will have a tank farm with 80,000 tonnes of capacity.

Kalori forms alliance with AT&T

By Kevin Brown in Sydney

KALORI Communications, one of two bidders for a licence to compete with Australia's government-owned telecommunications carrier, yesterday announced a "strategic alliance" with AT&T of the US.

The announcement provides a significant boost for Kalori, which suffered a blow last month when France Telecom, Ameritech and Bell Atlantic withdrew, leaving Hutchison Whampoa of Hong Kong as the sole remaining partner.

Kalori also announced the appointment as chairman of Mr Mark Burrows, a Sydney merchant banker, in a further attempt to raise the profile of its bid. However, Mr Burrows said AT&T would not take a stake in the consortium.

The US group will supply equipment to Kalori, and plans to spend up to A$14m ($10.7m) to establish a research laboratory in Adelaide. Mr Burrows said Kalori planned to have 51 per cent Australian ownership within five years by selling shares to domestic financial institutions and an unnamed Australian corporation.

The announcement keeps Kalori in the race for the second licence by complying with the federal government's deadline of today for the delivery of formal bids.

However, the favourite remains the rival Optus Communications consortium owned by Bellsouth of the US and Cable & Wireless of the UK, each holding 24.5 per cent, and Mayne Nickless, an Australian transport group, with 20 per cent. Australian institutions hold the balance of the shares.

The second licence will be awarded to the winning bidder for Aussat, the government's loss-making satellite company.

The duopoly will last until 1997, giving the second carrier five years to establish itself before Australia moves to open competition in telecommunications.

OECD export credit rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates for officially-supported export credits (October 15-November 14 rates in brackets):

D-MARK 9.52 per cent (9.68);
FRENCH FRANC 10.20 (10.26);
GUILDER 9.90 (same);
ITALIAN LIRA 12.02 (12.24);
YEN 6.70 (same);
PESETA 12.62 (12.58);
STERLING 10.79 (10.68);
SWISS FRANC for credits of less than eight years 8.30 (same); for credits of more than eight years 8.55 (same);
US DOLLAR for credits of up to five years 7.77 (8.04); for credits of over five years 8.17 (8.44).

These rates are published monthly by the Financial Times, normally around the middle of each month. They apply to all export credits. However, on those to middle-income and poor developing countries the OECD matrix rate can be used if lower.

This is a standard set of rates reviewed twice a year, in January and July.

INTERNATIONAL NEWS

India-Pakistan confrontation crumbles of exhaustion

David Housego reports that irreconcilable differences remain, but that there is a willingness to talk over lesser issues

THERE IS only one way to cross by road between India and Pakistan, countries with a combined population of almost 1bn and a frontier stretching thousands of miles. That is at Wagah, an almost deserted post lying amid the rich farmlands of Punjab, where a bored customs officer says that an average day sees only 20-25 people pass through.

A newly constructed, steel and barbed wire fence – Asia's "Berlin wall" – that now separates the two countries and stretches across ploughed fields as far as the eye can see, is a grim reminder of the underlying hostility. India built the awesome barrier to prevent Pakistan from infiltrating arms and men to secessionist movements in its border states of Punjab and Kashmir.

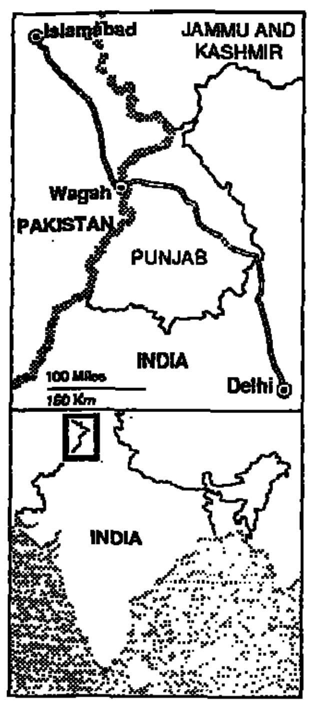
But if the two sides still confront each other across much of their border, there has been a shift of mood in Islamabad and Delhi, with both capitals suddenly more hopeful that the pressures for peace that are melting conflicts elsewhere in the world could encompass India and Pakistan as well.

"There is a feeling of exhaustion on both sides," says a senior Pakistani official, reflecting the belief of Prime Minister Nawaz Sharif that the two antagonists cannot go on bleeding themselves while the rest of the world is changing. "It is too expensive and too difficult to maintain a state of confrontation," the official says. "A dialogue has begun," says Mr Sharif himself.

Similar sentiments were voiced in Delhi this week at the end of a four-day unofficial gathering between prominent Indians and Pakistanis intended as an exercise in confidence building. "The chemistry of the new era in the world has to be transferred to our region," said Mr IK Gujral, the former Indian foreign minister.

Officials in the two capitals had hoped that the South Asian summit planned for Colombo this week would provide the venue for a bilateral meeting between Mr Sharif and Indian Prime Minister P V Narasimha Rao that could give fresh momentum to removing friction.

However, postponement of the summit put paid to the plans for the two leaders to hold what would have been only their second meeting after what both sides agreed was a successful first gathering at the Commonwealth summit in Harare.



The resolving of minor disputes is seen as a way of clearing the ground before advancing on the two main disputes: the future of Kashmir, where Indian troops are trying to suppress a secessionist movement which has Pakistani support, and nuclear non-proliferation in the light of Pakistan's still recent acquisition of a nuclear weapons capability.

Concerning Kashmir, there is little sign yet of either country budging from irreconcilable positions. But senior Pakistani officials are convinced that India will not be able to hold on to the Moslem-dominated Kashmir Valley in the face of well-armed insurgents who have popular backing. They believe it is only a matter of time before India realises this and opens negotiations with Pakistan about a fresh partition of the state or its partial separation from India.

Pakistan's Sharif (above) and India's Rao: a change of mood but constraints on bold action.

The Indian Government has now declared its readiness to discuss with the Kashmiri militants a political solution that falls short of secession. But Mr Narasimha Rao also believes the militants will weary of their struggle against the 400,000 Indian troops in Kashmir. He told Indian journalists after the Commonwealth summit that India faced a two to five year slog in Kashmir before the militants abandoned their separatist goals.

Over the nuclear issue – where Pakistan has been hurt by a cut-off in US aid because of its attempts to acquire nuclear weapons – there are signs of a shift in positions. Pakistan seems more ready to negotiate with the US a compromise that would allow the Bush Administration to certify to Congress that Pakistan did not possess a nuclear weapon or the components to make it.

The compromise would involve Pakistan in rolling back its nuclear programme – "unscrambling the omelette" as senior officials put it – to allay US fears about a spiralling Pakistani nuclear weapons programme. At the same time, there is less resistance in India to a Pakistani proposal for a regional conference on nuclear weapons in which the US, the Soviet Union and China would participate. The outcome might be to leave both countries with a potential, low level deterrent capability.

On both the minor issues and on these two big disputes, several factors are pushing both sides to show more flexibility. The most important is that both countries are now committed to International Monetary Fund programmes to cut their fiscal deficits and can no longer afford the drain of massive defence budgets.

"The two prime ministers are both giving priority to development," says one senior official.

Mr Michel Camdessus, managing director of the IMF, made a point of visiting both India and Pakistan on his way back from the IMF/World Bank gathering in Bangkok and underlined in private conversations the importance of cutting defence spending.

Reinforcing this message, important donor countries like Germany and Japan are beginning to link aid to cuts in defence spending – particularly in the regions of potential military conflict.

The US, whose influence in the region has much increased with the eclipse of Soviet power, is also pressing both countries on the issues of Kashmir and nuclear proliferation.

To give India more of a breathing space in Kashmir, it has warned Pakistan that if it continues to supply weapons and training to the militants it risks being added to the list of countries which face sanctions for supporting international terrorism.

For its part, India is under pressure to find a political solution because of the risk that human rights abuses by Indian forces in Kashmir could lead to donor nations cutting back their aid.

However, although both governments show greater willingness to improve ties, they both would have political problems in selling any concessions to their electorates.

Mr Sharif is under fresh attack from Ms Benazir Bhutto, the former Pakistani prime minister, who would exploit to the maximum any compromise over Kashmir or nuclear policy. Similarly, Mr Rao leads a minority administration which does not feel it has the freedom to take bold initiatives.

India stops EC visit to Kashmir

INDIA has denied a delegation from the European Parliament permission to visit the predominantly Moslem Kashmir Valley, where it is trying to put down an uprising, Reuter reports from New Delhi.

Pro-Pakistan militant groups called a three-day general strike in the valley starting yesterday in expectation of a visit by the nine-member European delegation.

Witnesses said the strike was almost totally complete in Srinagar, summer capital of Jammu and Kashmir, the only Moslem-majority state in overwhelmingly Hindu India.

The militant groups, which want to merge Indian-ruled Kashmir with the one-third of the Himlayan region under Pakistani control, said they wanted to demonstrate to the delegation the depth of anti-Indian feeling in the Kashmir Valley.

Nearly 4,000 people have been killed since the uprising against Indian rule began in January 1990.

Explaining the Indian government's refusal to let the delegation visit the state, the foreign ministry said: "We would not be in a position to risk the possibility of any harm coming to them during a visit."

Hong Kong to send home 59 boat people

By Angus Foster in Hong Kong

HONG KONG plans to send home 59 Vietnamese boat people tomorrow, in the first forced repatriation since 1989.

Following an agreement between Britain and Vietnam last month, the boat people, mainly women and children, will be taken to Kai Tak airport today where they will be processed and then put on a Hercules cargo plane to Hanoi.

The 59 are "double-backers" who have returned to Hong Kong a second time after volunteering to return to Vietnam.

Hong Kong is extremely concerned the operation goes smoothly because the 1989 repatriation, which was done under cover of darkness using police in riot gear, led to international criticism which halted the programme.

Tomorrow's repatriation will be in daylight, police will not be armed and the media is being allowed limited coverage.

The government is preparing a second flight of double-backers and their families, while Britain and Vietnam have also agreed any new arrivals will be sent back almost immediately.

Starting next year, Hong Kong hopes to start sending back long stayers who form the hard core of the 63,000 boat people in Hong Kong.

● China and Vietnam yesterday crowned summit talks that marked the normalisation of relations by signing agreements on economic co-operation, Reuter reports from Beijing.

Meanwhile Mr Jürgen Möllemann, the German economics minister, ended two days of talks in Beijing saying Bonn was concerned over China's human rights record but would not use economic leverage to force an improvement.

Mr Möllemann handed in a list of 900 people believed detained after the 1989 crackdown and asked for an amnesty.

Israel seeks capital with currency reforms

By Hugh Carnegy in Jerusalem

ISRAEL yesterday announced a package of foreign exchange and capital market reforms designed to attract greater foreign investment and speed up the integration of the country's hitherto sheltered economy with international markets.

The Bank of Israel said the measures, among the most significant so far taken in a slow process of liberalisation, were "particularly important" given Israel's need to borrow some $20bn overseas over the next five years to help finance large-scale immigration by Jews from the Soviet Union.

The package, yet to be enacted, includes easing restrictions on the right of non-residents to convert local into foreign currency and to raise loans in shekels. Israeli citizens and companies will be freer to invest abroad and hold foreign currency deposits – a move it is hoped may draw into the system up to $1bn thought to be withheld in undeclared private holdings.

A more open currency and capital market régime is seen as essential to attract the foreign capital required and to stimulate growth. The US wants radical liberalisation of the economy as a condition for granting Israel's request for federal guarantees to back $10bn of foreign borrowing.

Yesterday's measures included:

- Relaxation of restrictions on non-residents to convert shekel deposits and proceeds from government bonds and mutual funds. Non-residents may borrow shekels against foreign currency collateral.
- Extending to Israeli residents the right previously held only by companies to hold unrestricted deposits of foreign currency for use overseas. Likewise, residents may buy securities on approved foreign stock exchanges as well as Israeli stocks quoted overseas.
- Allowing Israeli companies – with individual permission – to invest up to 40 per cent of equity capital abroad in share capital, equity holders' loans, guarantees and property. The current limit is 20 per cent.
- Lowering liquidity ratios for bank foreign currency holdings from present levels of 90 per cent. The mandatory investment requirement in bonds for new savings schemes is to be cut immediately to 30 per cent from 50 per cent and eliminated by the end of 1992.

Yassir Arafat, the Palestine Liberation Organisation chairman, embraced by Abdel-Kalim Khaddam, the Syrian vice president, in Damascus yesterday. The PLO leader met President Hafez al-Assad to co-ordinate policy after the Middle East peace conference in Madrid.

Shamir moves ally to defuse row with Levy

By Hugh Carnegy

MR Binyamin Netanyahu, the ebullient spokesman for Israel at last week's Middle East peace conference, is to take up a special ministerial post alongside Mr Yitzhak Shamir, the prime minister, in a move which has defused a political row that threatened to disrupt Israel's conduct of the peace negotiations.

His shift from deputy foreign minister to junior minister in the prime minister's office – expected to be approved by the cabinet on Sunday – was part of a deal struck by Mr Shamir to pacify Mr David Levy, the foreign minister.

Mr Levy was infuriated by the way the prime minister took charge of the delegation to Madrid and filled it with his favoured advisers, including Mr Netanyahu.

Mr Levy, hampered on the international stage by his lack of English, refused to go to Madrid and protested bitterly that he and his officials were being excluded from the peace process.

He was especially piqued by the starring role played by Mr Netanyahu, a political rival within the ruling Likud party with whom he has not been on speaking terms for months.

Mr Netanyahu said yesterday he would work directly with Mr Shamir on the peace process. He will act as a virtual minister of information.

Mr Shamir, meanwhile, offered to give the Foreign Ministry responsibility for the bilateral peace talks with Lebanon and the multilateral talks due to follow later. Mr Levy will also have a full role in peace policy making.

The foreign minister admitted in a television interview he had damaged himself politically by his refusal to go to Madrid. But he insisted he had to take a stance. "It wasn't a matter of honour but that of proper government," he said.

- Israeli helicopter gunships rocketed a guerrilla base in a Palestinian refugee camp near Tyre in southern Lebanon yesterday, killing a civilian and wounding three others, according to reports from the area. Israeli officials confirmed an air attack on the camp.

It was the latest action in a series of strikes by Israeli forces and their Lebanese militia ally in the past two weeks in which more than 1,200 shells have been fired on south Lebanese targets.

They are in retaliation for guerrilla attacks which have killed six Israeli soldiers since just before the Madrid peace conference opened.

King Hassan confident of referendum success

KING HASSAN of Morocco has said next year's United Nations-organised referendum will confirm his country's sovereignty over the disputed Western Sahara, adding that the kingdom will never accept a foreign flag flying there, AP reports from Rabat.

The king made the remarks in a speech on Wednesday night commemorating the 16th anniversary of Morocco's "green march" to populate the vast desert territory, the scene of a protracted guerrilla war against Morocco.

"This confirmatory referendum can only give us satisfaction," King Hassan was quoted by the official MAP news agency as saying. He added that the question of who will vote in the referendum, planned for January, was the only outstanding issue.

The Marxist Polisario Front guerrillas, who have been fighting for independence for the Western Sahara since 1975, charge that Morocco has recently been trying to bloat the ranks of potential voters by sending in more people in a second green march.

UN officials have indicated their wish to use the last official census of the region – taken in 1974 by its former Spanish colonisers – as the basis for voter registration. But Morocco has rejected this.

Botswana strikers sacked

THE BOTSWANA authorities *have sacked an estimated* 150,000 government and public sector workers who went on strike for higher wages this week, Reuter reports from Gaborone.

"All employees who have been absent from duty for two consecutive days will be considered to have terminated their services," the state Direc*torate of Public Service Man*agement said.

The workers struck to demand a 154 per cent wage rise agreed to by their union and the government last month. But officials say the increase cannot be met because it would worsen the government's budget deficit.

US raises pressure on Mobutu

By Michael Holman, Africa Editor

THE US has increased pressure on President Mobutu Sese Seko to give way to Zaire's opposition and allow a transitional government to take control of key ministries.

The US ambassador in Kinshasa had urged this course on the president during a meeting on Tuesday, Mr Herman Cohen, assistant secretary of state for Africa, told the Senate Foreign Relations subcommittee on African affairs.

Mr Cohen, using language that marks the increasingly strained relations between the US and its erstwhile leading ally in sub-Saharan Africa, described Mr Mobutu as showing "apparent unwillingness to distinguish state finances and his own... a failing which lies at the heart of Zaire's dismal economic record".

The best hope for Zaire, said Mr Cohen, was "genuine power sharing between President Mobutu and the opposition. In particular, President Mobutu must break with the past and allow a transitional government to run the economic and domestic political affairs of the country without interference, including control over finance."

A transitional government, "must come from the ranks of the opposition", must "not be tied to any one personality or ethnic group", must "implement a democratic process that will give adequate representation to all regions and ethnic groups" and "must lead directly to free and fair national elections."

Zambian president names cabinet

NEWLY-ELECTED Zambian President Frederick Chiluba unveiled his cabinet yesterday and pledged to rebuild the copper-producing country's shattered economy, Reuter reports from Lusaka.

*The key post of finance min*ister went to businessman Mr Emmanuel Kasonde. Foreign affairs is taken over by Mr Vernon Mwaanga, a former diplomat, and minister defence went to Mr Ben Mwila, a prominent Lusaka businessman. Home affairs was given to Mr Newstead Zimba, a trade unionist, and agriculture to white farmer Mr Guy Scott.

The new minister of mines and mineral development is Mr Humphrey Mulemba, while transport and communications went to Mr Andrew Kashita.

*Mr Chiluba and his Move*ment for Multi-Party Democracy won a sweeping victory on October 31 over the country's leader for the past 27 years, Mr Kenneth Kaunda, and his United National Independence Party.

Mr Kasonde was a permanent secretary in the Finance Ministry in the 1970s and has since run a number of successful companies dealing in trade and manufacturing.

"My immediate task is to reduce costs and ensure production... We cannot continue to depend on the outside world and must be seen to be able to stand on our own," he said.

Mr Chiluba said his government would produce an interim budget before presenting a full budget for the next fiscal year in January. The budget is normally presented in November.

Japanese golf club memberships in the rough

Robert Thomson reports on difficult times in an exotic secondary market

AT THE first cabinet meeting over which he presided, Mr Kiichi Miyazawa, Japan's new prime minister, this week sought to set aside the financial scandals of previous administrations by telling his team to avoid not only stock market dealings but other types of trading which could compromise them.

One exotic area Mr Miyazawa was said to have identified as taboo was the secondary market in costly golf course memberships. But that market, once a no-way-you-can-lose investment fuelled by speculative excess, hit the rough more than a year ago and has been there ever since.

Investing in golf club membership certificates was the ultimate allure to Japanese salaried workers and small business owners. While trying to knock strokes off a golf handicap, an investor was scoring up paper profits on the surging secondary market for memberships.

Membership brokers, who use stock-broker-style electronic boards to chart market movements, flooded the financial pages of Japanese newspapers with advertisements. Property developers, sometimes backed by gangster money, rushed to build courses that were this market's version of a new listing. And investors, about half of whom didn't even own a set of golf clubs, presumed that the most difficult task was picking the moment to take maximum profits.

That moment has long gone. Like other Japanese financial sectors, the golf club membership industry is in turmoil, stricken by a crash in prices, and tarnished by a spate of scandals and bankruptcies. The Nikkei Golf Membership Index, measuring prices at the 500 leading clubs, has fallen by nearly half since last March.

The industry had partly prospered by making Japanese feel wealthy. Some buyers of the certificates, selling for an average of around Y32m (£142,200) and up to Y250m, had conceded that they would never be able to afford a home. Their savings were devoted to a piece of the fairway at clubs which conjured up an image of the wide open spaces or the atmosphere of an elite gentleman's club.

One such club, the Gatsby Golf Club, evoking F. Scott Fitzgerald, was found by the Tokyo District Court to have issued 30,000 membership certificates after promising to limit numbers to a select 1,800. Court action was taken after playing members were frustrated by their inability to book a round of golf on the grossly overcrowded course.

At the Ibaraki Country Club, north of Tokyo, 49,000 memberships were sold instead of the promised 2,800, and police this summer raided the offices of related companies.

Two leading politicians, including Mr Shintaro Ishihara, author of The Japan That Can Say No, have admitted to receiving substantial donations from the property company at the centre of the scandal.

For the golf brokerages, these scandals have caused what the Japanese deliciously call "minus image" or "image down". Some of the country's 190 golf brokers are reputed to have links to gangsters, but others are subsidiaries of large companies or are smaller, respectable companies which have diversified into the golf market in the past decade.

One of these, Ichikoshi, had been one of downtown Tokyo's most famous makers of kimonos, but changes in fashion and an increase in raw material costs prompted its bank, Dai-Ichi Kangyo Bank (DKB), to recommend a move into golf broking. The company's president, Mr Shigeo Sekiya, a passionate golfer, launched Ichikoshi Golf Service 11 years ago, and an autographed picture of Arnold Palmer now takes pride of place on walls once draped with kimono.

Having a famous name counts for a lot in Japan, and Ichikoshi was immediately regarded as an influential operator in a fast-expanding industry that, at the respectable end, profited from a straight 2 per cent commission on all trades. The shadier companies charged far more and pushed unpopular memberships on to unwary buyers.

The brokers, intoxicated by their success, strayed far from their core businesses, and began building their own courses, arranging finance for prospective investors, and investing in overseas courses. Having become more a developer than a broker, the ambitious Ginza Golf Service (GGS), which had been the largest of the brokers, filed for court protection in July with outstanding debts of Y260bn.

Mr Kazuyuki Kawabe, Ichikoshi's managing director, said Ginza Golf's mistake was to diversify into resort development, and he argued that the golf club memberships remain a sound investment: "There is a natural limit on the number of courses. There is not enough space for everyone to play golf. This creates a scarcity and a strong market."

But financial reforms, particularly the liberalisation of interest rates, has made the golf certificate a less attractive investment. Three years ago, the average Japanese was earning 2 per cent interest on a bank account, while golf certificates were offering annual gains of 10 per cent and sometimes much, much more.

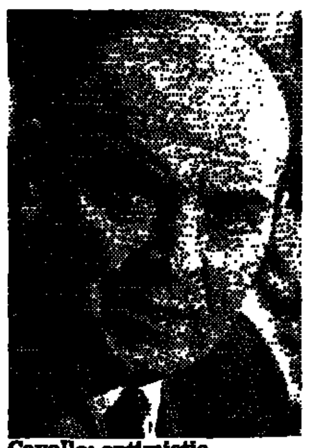
The market peaked in March last year after the Nikkei Golf index rose more than 50 per cent in only eight months.

Bank term accounts now offer depositors rather better rates, while golf certificate holders have watched the golf index continue its fall, and a golf course construction spree has meant a rush of "new issues". From 1960-85, the number of Japanese courses rose from 416 to 1,469, but more than 160 courses have been built over the past two years, and another 1,200 are either under construction or have planning approval.

AMERICAN NEWS

INTERVIEW

Cavallo promises golden age of Argentine growth


Cavallo: optimistic

ARGENTINA'S economy minister Mr Domingo Cavallo yesterday promised strong, sustained growth next year as his wide-ranging economic reforms begin taking effect, writes John Barham in Buenos Aires.

Last week the government announced a sweeping deregulation programme removing virtually all remaining state controls over the economy. Over-regulation contributed powerfully to Argentina's headlong decline over the past 50 years. Now, Mr Cavallo says, free markets will lead to a *golden age of growth* and prosperity.

In an interview Mr Cavallo said: "It is hard to make precise growth estimates. We are working with forecasts of 6 to 7 per cent in 1992, but I personally think Argentina can grow more vigorously." He said deregulation "will permit investment opportunities to emerge that are marginal at first, but with high profitability and high productivity."

Mr Cavallo expects to net about $2.5bn in cash next year by privatising state companies. The government plans to sell minority stakes to private operating companies first and later float its remaining equity on local and international markets.

Argentina hoped to raise $4bn in the first half of 1992 from multilateral development banks, the International Monetary Fund and the Japanese Eximbank for use in next year's debt negotiations.

The country would use the money to cut its $61bn foreign debt through the debt reduction mechanism devised by Mr Nicholas Brady, the US Treasury Secretary. Mr Cavallo also promised an "integral, realistic proposal" to restructure Argentina's $35bn commercial bank debt, which includes over $8bn in interest arrears.

But the government's immediate attention is focused on implementing the deregulation package. Officials say the reforms will affect over 9,000 bureaucrats, eliminate 15 taxes and lead to a $600m transfer from the unproductive to productive sectors of the economy.

The government, still struggling to strengthen its finances, expects deregulation will raise its net revenues by $200m to $250m next year as it cuts spending, cracks down on tax evasion and raises its tax take.

Deregulation, combined with an existing reform of the civil service, could actually strengthen the government's ability to carry out its remaining functions. Sixty years of stifling bureaucracy led to widespread corruption and dissipation of effective government control as companies, trade unions and other groups learnt to turn regulations to their advantage.

Mr Cavallo stressed that he would strengthen regulation over the environment, health, consumer rights and competition policy. Private economists say competition legislation must be strictly enforced.

A small group of Argentine conglomerates has been able to grow even stronger by buying stakes in privatised companies, which include two airlines, two telephone companies, several railways, chemical plants and dozens of oilfields. Adequate regulation of these will be controversial.

Salinas reforms may weaken PRI support

Damian Fraser on constitutional changes likely to transform Mexico's ruling party


Ashley Ashwood

Carlos Salinas de Gortari: about to embark on a series of radical reforms

MEXICO'S President Carlos Salinas de Gortari, halfway through his six-year term, is about to embark on a series of reforms of society as radical as anything considered since the country's 1910-20 revolution.

Yesterday afternoon the president announced plans to change the constitution and allow the country's 2m indigenous farmers the right to sell and rent out their land legally, and form partnerships with the private sector.

Last Friday Mr Salinas prepared the way for an end to the state's 130-year-old rift with the Catholic church. He implied that the state would soon give the church legal recognition, which government officials say will lead to a resumption of diplomatic relations with the Vatican.

No less significantly, the powerful teachers union, with 1.2m members, and one of the traditional props of the ruling Institional Revolutionary Party (PRI), will see its influence rapidly decline as the government fulfills its promise, also made last Friday, to delegate educational responsibilities to the states.

Mr Salinas's stated objective is to create a more efficient and more modern Mexico. But *the planned reforms would* weaken the traditional pillars of PRI support - the unions, the peasant organisations, and "popular" classes lead by the teachers and will hasten the PRI's departure (in the traditional guise) from Mexican politics.

PRI officials say their aim is nothing less than to create a citizens' party, largely free from the influence of the traditional sectors. Rumours that Mr Salinas will abandon the PRI have circulated ever since he took office.

Mr Colosio, the party president, said in an interview in September the party was heading towards "a profound trans*formation" which would put* membership exclusively on a grass-roots basis.

The president is able to take on the old backward sectors because his own popularity has reached new heights – about *four-fifths of Mexicans*, according to a recent independent poll, think he is doing a good job. In August elections the government vote reached 61 per cent, from 51 per cent in 1988. He also enjoys the privilege of untramelled presidential power.

The country's leading businessman have thus returned to the PRI fold, after many had become disillusioned after the nationalisation of the banks in 1982. The middle-class, whose salaries plummetted in the 1980s, have begun to benefit from the resumption of economic growth and fall in inflation and the poor have gained from the government's massive *anti-poverty programme*, known as Solidarity, which many believe will form the basis of a new political party.

Battle lines are already being drawn over the proposed education reforms. A week ago the head of the teacher's union said "whoever thinks administrative measures are going to break us apart will meet a vigorous, solid, combative front".

The government looks ready to take the union on. A leaked government document acquired by the press said the teachers' union would have to disappear if Mexico was to decentralise education responsibilty to the states. In the past 20 years, the union, the largest *in Latin America, has blocked* successive attempts to modernise and decentralise the educational system.

The proposed reform of the agricultural sector will be even more conflictual. Several Mexican governors, scores of Congressmen and other political leaders bow to the peasant organisation (CNC) that put them in power. Traditionally the Mexican village chief or *cacique*, has delivered the rural vote by controlling the pursestrings of the Mexican village, and thus enabled the PRI to win election after election.

The latest reforms will give *indigenous farmers, or ejidatarios*, financial and political autonomy, and thereby remove the leverage the cacique has over the farmer.

The unpopularity of these reforms may explain why Mr Salinas also announced on Friday to seek a rapprochement with the church.

Mexico's ruling party was itself borne of a struggle against the Roman Catholic Church, which at the turn of the century supported and was part of the land-owning conservative class. Mexico's anti-clerical laws, enshrined in the 1917 constitution, don't let members of religious orders vote, wear cassocks in public, own property, officiate in public areas, or run schools.

The Catholic church, and much of Mexico's middle-class, have long sought for reforms to these laws. As the PRI's traditional bases of support decline, many fear that these groups may replace them as the party's backers.

"It will be the priests who will assume the political role of *social cohesion that used to be* fulfilled by teachers and peasants," said Mr Ramirez, a staunch opponent of the president's reforms.

Peru keeps to path of austerity in reshuffle

By **Sally Bowen** in Lima

PERU'S President Alberto Fujimori has reshuffled his cabinet after six days of prolonged discussions and immediately before an investment-seeking trip to the Far East this weekend.

Mr Alfonso de los Heros, *labour minister, is appointed* prime minister. Mr Carlos Bolona keeps the economy and finance portfolio, and another prominent economist, Mr Augusto Blacker Miller, becomes foreign minister.

Mr Blacker Miller has been acting as a government adviser and has been closely involved in external debt negotiations.

The cabinet reshuffle on Wednesday was prompted by *the resignation nine days ago* of Mr Carlos Torres y Torres Lara, as premier and foreign minister.

Mr Torres y Torres Lara had predicted a policy shift towards more growth in the economy, and had advised that his successor should be an entrepreneur. In the event Mr Fujimori's cabinet choices and statements this week from Mr Bolona seem to confirm no deviation from fiscal austerity.

Mr Victor Joy Way, the industry minister strongly tipped for the premiership, retains his post. The other front-runner, Mr Jaime Yoshiyama, moves from transport to mines and *energy*.

Mr Jorge Torres Agego is replaced as defence minister by General Victor Malca, the interior minister.

Pressure mounts on Sandiford to resign

By **Canute James** in Kingston

PRESSURE is mounting on Mr Erskine Sandiford, the prime minister and finance minister of Barbados, to step down.

The island's business leaders are expected to call today for Mr Sandiford to quit, or at least to divest himself of the *finance portfolio. This follows* a general strike on Monday and Tuesday which brought the Caribbean island of 250,000 people to a standstill. Trade union leaders have also said Mr Sandiford should resign.

Sir Douglas Lynch, a senior member of the board of the Central Bank, and an economic adviser to the government, has resigned, publicly accusing Mr Sandiford of mishandling the economy, and saying he should step down.

*Mr Sandiford is being pres*sured because of the government's imposition of austerity measures aimed at halting economic decline in what is traditionally one of the more stable countries in the Caribbean.

Poor performances in the tourism and sugar sectors, the pillars of the economy, have caused the contraction.

Saying he will not devalue the island's currency, Mr Sandiford is reducing public spending in an attempt to close a *fiscal deficit. The cuts have* reduced incentives for businesses and cut severance pay and unemployment benefits. The measures are expected by the government to clear the way for access to $58.1m of International Monetary Fund credits over the next 18 months.

Mr Sandiford has further angered his detractors by maintaining public silence amid mounting criticism, leaving negotiations with trade *unions to his ministers. The* unions, which started public protests last month, are threatening further demonstrations and strikes unless the Mr Sandiford reverses the economic measures.

General strike brings Caracas to a halt

PUBLIC transport ground to a virtual halt in Venezuela's capital yesterday as a one-day general strike began in protest at rising petrol prices and mass worker dismissals, Reuter *reports from Caracas.*

The main trade union confederation hailed the dawn-to-dusk stoppage as a success. Underground railway stations were shut down and there were no buses on the streets. Most shops, offices, bars and restaurants in the city centre were shut, although banks opened for business.

Tourists were left stranded at Caracas' Maiquetia international airport. All domestic flights were grounded and only one international flight took off. The strike was called in Caracas' metropolitan area, which has about a quarter of Venezuela's 19m people.

UK NEWS

Decline in capital base at Lloyd's may be 'less than feared'

By Richard Lapper

THE DECLINE in the capital base of the Lloyd's of London insurance market will be less sharp than was feared earlier this year, Mr Alan Lord, the chief executive of the Lloyd's Corporation, predicted yesterday.

Although over 10 per cent of Lloyd's members – the individual Names who provide the insurance market's capital – have resigned to date, the number of departures has been far less than was feared in the summer.

Mr Lord said that with only a few weeks remaining to go before the beginning of the 1992 underwriting year 3,200 of the 26,500 Names who participated in Lloyd's syndicates last year have announced their intention to leave the market.

Mr Lord speculated that the number might rise to over 4,000 by the end of the year, although more Names could be forced to leave if they are unable to pass solvency tests set by Lloyd's.

Mr Lord suggested that Lloyd's capacity – the amount of premium income its syndicates are allowed to accept – could fall to around £10bn.

When Lloyd's announced its losses for the 1988 year, the market's first deficit for over 20 years, between 5,000 and 6,000 Names had been expected to leave.

There could also be more syndicates next year than had been predicted.

Mr Lord expects that 300 syndicates will be active in the market in 1992, compared to 354 this year and over 400 in 1990.

At one stage as many as 100 syndicates had been expected to either disappear or merge.

Mr Lord said that the majority of Names quitting the market committed relatively modest amounts of capital.

On average the 3,200 Names leaving committed £301,000. Those opting to remain wrote an average of £429,000.

171 new Names had applied to join Lloyd's for the 1992 year and 6,000 existing Names wanted to increase their commitments.

CLYDESDALE BANK

NAB unit cuts jobs to compete

By James Buxton, Scottish Correspondent

CLYDESDALE BANK, the Scottish subsidiary of National Australia Bank, is to reduce its 2,400-strong headquarters staff by 700 over the next year.

The Glasgow-based bank, which NAB acquired from Midland in 1987, will start making redundancies this month. Some 520 of the jobs set to go are in clerical areas but 180 managerial jobs will also disappear.

The bank says that a "significant" number of the job losses will be achieved through compulsory redundancy and obligatory early retirement, which could apply to as many as three quarters of those affected. The rest will go through natural wastage.

Clydesdale's cost/income ratio in 1990 was 68.8 per cent, which compares unfavourably with its immediate competitors in Scotland, with Royal Bank of Scotland having a ratio of 61 per cent and Bank of Scotland 54 per cent.

Royal Bank of Scotland has shed about 1,000 managerial jobs in the past year.

Clydesdale would like to get the cost/income ratio down to 60 per cent. It expects the staff reductions will lower it by four to five per cent in a year and further improvements will later come from income generating strategies which will be introduced.

Recently Clydesdale brought in the consultants Booz Allen and Hamilton to examine its headquarters operations.

Together with internal working parties they identified savings to be made through reducing layers of management and eliminating some clerical work.

Bank executives admit that although a large computerisation project is nearly complete the bank has not yet made the savings in manual record keeping which this has made possible.

"There are a lot of excess staff and even some reserve staff," a bank official admitted.

Clydesdale, with 354 branches, almost all in Scotland, is the third largest Scottish bank in terms of assets, after Royal Bank and Bank of Scotland.

The takeover by NAB was followed by the separation of the bank into three divisions, a reorganisation of the branch structure and a general improvement in performance, but its head office in Glasgow was largely untouched.

Clydesdale says its aim is to create a bank with "greater focus on core banking services, efficient working practices, fewer management layers and an appetite for change."

Mr Melvin Keenan, an official of the Banking Insurance and Finance Union, said the union would oppose compulsory redundancy.

New laws are on the horizon after MPs concluded that there had been a significant rise in pollution incidents at sea

MPs call for tougher sea pollution rules

By John Hunt, Environment Correspondent

TOUGHER regulations to prevent pollution by oil and chemical spills at sea are called for in a report from an all-party House of Commons committee.

It says that the Department of Transport's ability to successfully prosecute those responsible for illegal discharges at sea is "so low as to be virtually ineffective as a deterrent".

The department told the committee that individual spills had been very minor, but the committee concluded that the "significant rise in these incidents" is a cause for concern.

From 1985 to 1990 the cases of pollution annually had risen over two and a half times to just over 300 cases in 1990.

Despite the rising trend the department had reduced inspections of vessels by 20 per cent over that period.

The Transport department said that none of the reported oil spills could have been detected by inspections and it had increased aerial surveillance.

The committee was not satisfied that sanction and penalties were always applied vigorously by the deparement. There was only one prosecution for illegal discharges from ships at sea between 1985 and 1989 and that resulted in a fine of £15,000.

The committee called on the department to widen the scope of inspections and review sanctions and methods of enforcement. The department agreed that higher fines would be helpful.

The report finds that the levels of cover under existing insurance and compensation arrangements are well short of the huge costs which could arise in cleaning up a major incident.

BRITAIN IN BRIEF

French carmakers lift sales

French carmakers – Renault and the Peugeot group, which includes Citroën – performed strongly in the depressed UK market in October. Renault increased sales by 52.7 per cent from the same period a year ago to claim a 6.1 per cent market share, compared with 3.1 per cent a year ago. The Peugeot and Citroën marques combined increased their share in October to 10.9 per cent from 9 per cent a year ago. The Peugeot group's sales volume fell by 6.2 per cent against the 22.5 per cent decline in the overall market.

BMW of Germany boosted sales by 17.8 per cent in October, helped by the launch earlier this year of its new 3 Series. It captured 3.6 per cent of the market, compared with 2.4 per cent a year ago.

Gas profits cause concern

British Gas has revealed that it made roughly £57 profit for each of its 17m household customers in the financial year to the end of March, which is likely to cause some concern over high gas prices. British Gas has up till now resisted publishing the profits it makes from its household supply business, but has been forced by Ofgas, the industry regulator to make the figures public. The company is currently in negotiations with Ofgas over a strict new formula for household gas prices which comes into effect next April. The new formula will restrict the company to a return on assets of between 5 per cent and 7 per cent in its household business. British Gas said the household share of its income rose by nearly £400m to £968m in the 1990-1991 financial year which meant it made a 6.6 per cent return on its assets.

The government has commissioned an opinion poll to find out what people think about the public services, Mr Francis Maude, the Treasury minister, (pictured above) said at a conference on the Citizen's Charter writes John Willman, Public Policy Editor. The poll, organised by the Central Office of Information for the unit set up to supervise the Citizen's Charter, will be carried out by RSGB, the polling organisation, before the end of the year. Mr Maude, the minister responsible for implementing the charter, said that learning the views of users was central to improving the quality of public services. Only organisations which could show that they had consulted users on priorities would qualify for the new Chartermark, he said.

Editorial Comment, Page 18

Union accepts pay offer

The Fire Brigades union has accepted a pay offer of 5.6 per cent in England and Wales. Firefighters have had a pay formula linking their pay with the top quarter of male earnings since 1977-78 when they took industrial action over a pay offer. Last year firefighters were awarded 9.5 per cent. Mr Dave Higgs, national officer for the FBU, said he believed local authority employers had budgeted for an increase of up to 7 per cent.

EC law affects UK

UK companies would be most affected by proposed EC legislation on the establishment of works councils for informing employees, says a report for the European Commission by academics at Warwick University. More companies from the UK pass the intended works council threshold of having at least 1,000 employees and operating in at least two member states. The UK has 332 companies, more than one-third of the 900 total. Germany has 257, France 117 and the Netherlands 83.

Lifting to be mechanised

Industries which involve workers in lifting and carrying heavy loads will have to mechanise their operations under new laws being drawn up to bring British legislation in line with a EC directive, the Health and Safety Commission has warned. The new rules are intended to cut down on back and other related injuries sustained at work.

King calls for air aid

British airlines should be given the same level of support that competitor airlines receive from their governments, Lord King, chairman of British Airways has said. He complained that rivals were gaining competitive advantage through "political favour" rather than by effort and expenditure.

UK NEWS

TORIES BRACED FOR DEFEAT IN BY-ELECTIONS

Europe and health set to cost government key seats

By Philip Stephens, Political Editor

THE GOVERNMENT was last night bracing itself for defeat in three by-elections amid evidence that divisions over Europe and the row over the National Health Service have given Labour a strong lead in the opinion polls.

Ministers forecast that the two Conservative-held seats of Langbaurgh and Kincardine and Deeside would be won by the Labour opposition and the third party Liberal Democrats respectively in yesterday's by-elections. Labour looked certain to hold on to the safe seat of Hemsworth in the third contest. The elections have been caused by the deaths of the sitting MPs.

The government's expected losses will coincide with the publication today of a national opinion poll suggesting that during the past week Labour's lead over the Conservatives has jumped to 8 per cent.

The survey, conducted by Gallup for the Daily Telegraph, puts Labour support at 44 per cent, up 3.5 points on the previous month, while the Conservative's standing fell by the same amount to 36 per cent. The 8-point lead represents the biggest Labour has held since the summer, when the government's support slumped after defeat in the Monmouth by-election. The Liberal Democrats standing was virtually unchanged in the survey at 15.5 against 15 per cent.

The intensity of the political battle in the run up to the general election which Mr John Major must call by mid-1992 was reflected yesterday in sharp exchanges in the House of Commons over tax and spending policies.

Mr Norman Lamont, the chancellor of the exchequer, stressing again his prediction in this week's Autumn Statement that the economy was moving out of recession, challenged Labour repeatedly to spell out how it would finance its promised increases in public spending.

Ministers believe that £11bn in extra spending included in the Autumn Statement for key public services has shattered the credibility of Labour's promises to spend more without raising the basic rate of income tax.

The chancellor's attacks, however, were met by charges by Labour that he had a "hidden agenda" to increase Value Added Tax after the election. A Labour statement released after the exchange repeated that its planned increases in income tax and National Insurance would not affect those earning below £20,000 a year.

Conservative strategists sought to play down the latest opinion poll, pointing to a weekend survey which had given the government a 1-point lead. They also drew comfort from a much larger Gallup poll - carried out during the past month rather than the "snapshot" survey of the past few days - which showed the two parties neck-and-neck.

They acknowledged, however, that they saw little prospect of holding on to the party's 2,063 majority in Kincardine and Deeside. A campaign dominated by rows over the future of a local hospital and over the government's plan to merge Scottish army regiments has bolstered support for the Liberal Democrats. In Langbaurgh, Labour was expected to overturn a 2,088 Conservative majority after a scrappy and often bitter campaign.

If the losses are confirmed the government will have been defeated in all the seven seats it has defended since March 1989 - more than any Conservative administration since the war has forfeited in a single parliament.

UK budget pledge raises eyebrows

Peter Norman finds doubts over Lamont's promise on borrowing

OF all the parts of Mr Norman Lamont's autumn statement, the one attracting most scepticism is the chancellor of the exchequer's commitment to eliminate the budget deficit during the current economic cycle.

Following publication of the government's spending plans up to 1994-95, several City economists yesterday forecast continuing, high public sector borrowing requirements (PSBR) throughout the next parliament even if the Conservatives win next year's general election.

"There must be grave doubts" about the government's commitment to balance the Budget in the medium term, commented Mr Keith Skeoch of James Capel & Co, the City stock brokers.

Mr Michael Saunders, UK economist at Salomon Brothers in London, yesterday predicted that the government would exceed its new PSBR targets for both the present and coming financial years.

Looking further ahead, Mr Gavyn Davies, chief UK economist of Goldman Sachs, said the PSBR in 1993-94 and 1994-95 could be as high as £19.5bn and £13bn respectively.

In his statement, the chancellor raised the forecast deficit for the current financial year to £10.5bn from £7.9bn previously and Treasury documents indicated that the government expects a PSBR of around £19bn in 1992-93.

But in his statement, and in an interview with BBC radio yesterday, Mr Lamont underlined his commitment to "balance the budget over the economic cycle."

Before Wednesday, the government's Medium Term Financial Strategy envisaged that the UK would return to a balanced Budget by 1994-95. But that projection, made last March, has to be set against the very substantial increases to public spending now planned over the coming three years.

There were signs that the likelihood of sustained, high government borrowing was beginning to have a negative impact on financial markets. Prices of government gilt edged securities fell by about half a point

The Autumn Statement lifted planned general government expenditure for 1992-93 by £3.9bn to £256.3bn; added £10.2bn to GGE for the following year, bringing this to £276.5bn and set a high GGE target of £291.1bn for 1994-95.

It will be necessary to wait until the next Budget to find out how the government plans to finance this increased spending.

But already there are strong grounds for scepticism that Mr Lamont would be able to meet his balanced budget goal.

According to Mr Skeoch, it is necessary to make the "heroic assumption" that the government will keep within its spending plans to believe in a return to budget balance. "And the track record over the last few years has been pretty poor," he says.

Mr Saunders of Salomon Brothers doubts whether the government's tax revenues will be sufficiently buoyant to support the new PSBR targets.

He is therefore forecasting a budget deficit of £12bn in 1991-92 and £23.5bn in 1992-93.

Although Mr Davies of Goldman Sachs argues the PSBR increases this year and next can be largely explained by the recession, he believes that even a re-elected Conservative government would be unable to resist rising political demands on the public services in the years after 1992-93.

He said there would be "little or no scope for tax cuts" in a pre-election Budget or even in the life of the next parliament if the chancellor wished to return to budget balance by 1996-97.

Another worry, according to Mr David Coleman, group economist at Union Discount, was that the government's growth forecasts for next year might be too optimistic and that any shortfall in national output would worsen the budget deficit position.

There were signs yesterday that the likelihood of sustained, high government borrowing was beginning to have a negative impact on financial markets.

Prices of government gilt edged securities fell by about half a point over the morning as the market began to contemplate the prospect of "a tap stock every two weeks", Mr Coleman said.

At the Treasury, officials said it was wrong for City to "get hooked" on particular figures when looking at the government's medium term commitment to bringing the deficit down.

They pointed out that Britain had run a Budget surplus of around 3 per cent of gross domestic product in 1988-89 at the height of the previous business cycle and returned to budget balance as the economy slowed.

There was no reason, they said, why the PSBR should not decline from the 3 per cent of GDP projected for next year as the economy recovered.

Arts grant increased by 14%

THE government has increased its grant to the Arts Council by 14 per cent, raising it to a record £221.2m. The rise was announced yesterday by Mr Tim Renton, minister for the arts, as part of an overall arts budget of £534.24m, 10 per cent higher than in the current year.

This is the third year in succession that the Arts Council has won an increase in grant far in excess of inflation. In real terms its revenue has improved 18.5 per cent since 1989-90.

Mr Renton justified his "shot in the arm" to the arts with reference to the lower than anticipated box office revenue of many arts organisations in recent months, as a result of the recession, and his belief that a flourishing arts scene deserved encouragement.

The Arts Council will decide in the next month how it distributes the subsidy to its clients.

However, for the sixth successive year, the purchasing grant for the national museums has been frozen at a collective £9m.

Mr Renton said yesterday that alternatives to purchasing grants must be investigated if artistic treasures were to be retained in the UK.

Bank governor warns against raiding reserves

COMPANIES should not dig into their reserves to maintain their dividends at a time when cash is scarce, Mr Robin Leigh-Pemberton, governor of the Bank of England, warned yesterday writes Richard Waters.

He also blamed the short-term investment horizon of many UK companies on the stop-go economic policies of recent years, rather than the City's refusal to take a longer term view. He called for an end to the persistent arguments between companies and the providers of capital over who is to blame for short-termism.

Speaking at the London Stock Exchange's annual conference for industry, he said: "I would regard deliberate as opposed to enforced reduction of dividends as often the mark of responsible and resolute management."

His comments indicate official concern over the policy of many British companies to maintain their dividends despite deteriorating cashflow.

Pressure to maintain dividends , whether it comes from the City or industry, "are felt even by companies for which cash has become one of their scarcest resources - and where it would be right for them to conserve cash for the benefit of shareholders in the long term."

It is up to each company's board to make its own judgment about dividend policy, he said, adding: "but let the market reaction be a judgment too, and not a reflex."

Insurers switch trading systems

Leading players on the London insurance market have voted to abandon C-Dex, an advanced electronic trading initiative.

The move should put an end to confusion in the market about competing electronic systems in London and clear the way for the introduction next year of the joint market initiative (JMI), which is supported by Lloyd's of London and three market associations.

Both systems allow brokers to place business with underwriters at Lloyd's and in the London company market.

But the decision has caused consternation at Andersen Consulting and the specialist IT services company Northdoor, which were advising the group of more than 30 agents and brokers backing C-Dex.

Willie Jamieson, a partner at Andersen, suggests C-Dex's state-of-the-art technology could significantly improve the market's competitive edge.

C-Dex's backers, which included Sturge Holdings, Lloyd's biggest agency group, have invested around £1m in the system over the past two years. But last week representatives opted not to pursue an £8m second stage and threw their weight behind the JMI, launched last year.

At Lloyd's preparations for an electronic placing system, fully compatible with the JMI, are now well advanced.

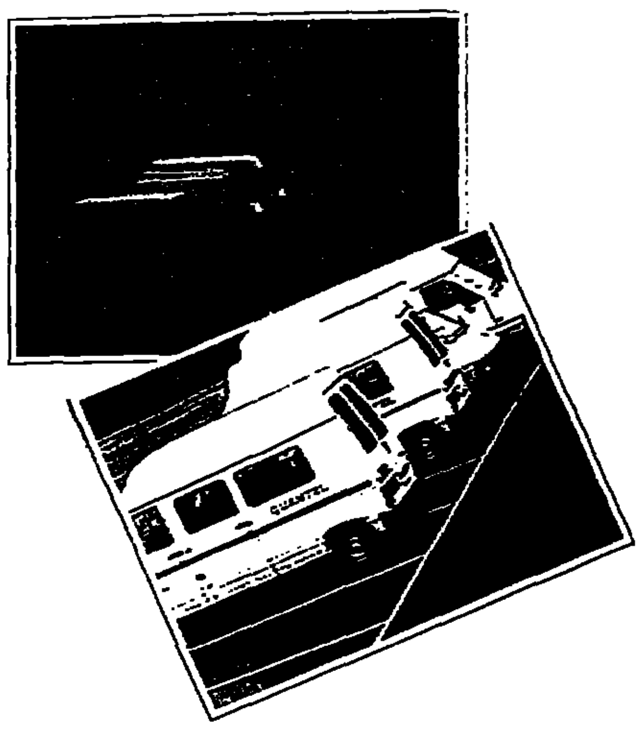
More than two dozen brokers and underwriters are set to participate in a first phase of the scheme due to begin at the end of March which will allow for electronic placement of less complex business, give users access to external databases such as Reuters and bring other benefits.

The system's capacity will be limited in this first phase, accepts Terry Hayday, chairman of the Lloyd's Network Steering Group. But Hayday insists that support from all sectors of the market is necessary and for this reason he supports an "evolutionary" approach. "There can be no big bang," he says.

Richard Lapper

Richard Donkin looks at how forensic science is making its way into the commercial world

Fighting fraud



Before and after: video enhancing provides a finer image

Nicolas Vafiadis was running a video of the 1966 world cup soccer final between England and West Germany to demonstrate how his forensic audio laboratory could be used to investigate one of the remaining mysteries of the 20th century – whether Geoff Hurst's controversial third goal actually crossed the line.

Vafiadis is the technical director of Communications Audit, a Woking, Surrey-based company which shares a laboratory with Network Security, both subsidiaries of the Hambro banking and financial services group.

Before examining the goal out of some whimsical interest, Vafiadis thought it would be proper to show how forensic science is being used to solve financial problems. The company was recently faced with providing the evidence that would settle a dispute between a Stockholm money market dealer and a London bank. The trader had been buying D-Marks from the bank but the deal was later disputed because of the difficulty in distinguishing whether the caller had been wanting to buy DM15m (£5m) or DM50m.

The Bank of England recommends in its code of good practice for wholesale money markets that all such calls are tape-recorded but in this case playing back the tape was unable to settle the matter. The fuzziness caused by background noise meant that the subtle difference in pronunciation could not be determined.

The bank and the dealing room might still be arguing had it not been for the increasing use of forensic techniques once more familiar in police investigations and in military applications. They are now being exploited in the commercial marketplace.

The dealing room problem was tackled successfully by the Woking laboratory, which claims to be the first in the UK to use audio tape enhancement in forensic applications. Initially developed on submarines to detect the sound of ship propellers, the technology was first used commercially to remove the crackle from old 78 rpm records. Early Caruso recordings have been improved in this way.

It works by programming into a computer the sort of noise that should be retained, such as speech. The system then enters the recording, looking for speech which it amplifies or enhances, thereby suppressing broadband interference such as aircraft or background noise.

"The old scene from James Bond films where he turns on the shower to drown out the bug in his room would not work with this equipment," said Vafiadis.

Other forensic areas now used in corporate investigations, often on in-house company thefts and frauds, are fingerprinting and handwriting detection.

To trace fingerprints on documents the laboratory has adopted a process developed two years ago at Queen's University, Belfast, which uses a chemical called 1.8 diazafluorene-9-one (DFO). This shows up fingerprints too faint to be identified by the older Ninhydrin process, widely used in the UK since the 1950s. Ninhydrin is a chemical that reacts with amino acid deposits left by fingers showing up prints on porous surfaces.

In the new system the document is dipped for a few seconds in a solution that contains a trace of DFO. This again acts on the amino acid changing it to a more visible substance. After heating in an oven, the specimen is illuminated with a high-powered light or laser. Fluorescent ridges begin to appear which, when photographed, provide the fingerprint record.

The method is so effective that it brings out four times as many fingerprints as the Ninhydrin method and can still find fingerprints on documents 50 years old.

A fourth area that Communications Audit has found useful in commercial fraud inquiries is electrostatic document analysis. The technique is routinely used by police laboratories to detect whether documents or statements have been tampered with.

The lower sheet of a two-page statement, for example, is laid on a brass plate, covered with a sheet of plastic, held down by a vacuum and charged with static electricity.

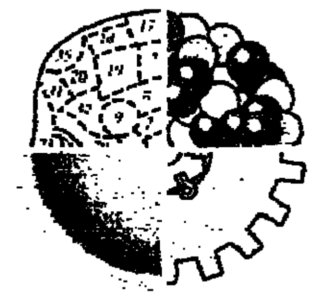
Electrically charged fine carbon-coated granules (the same toner powder used in photocopiers) are peppered on to the charged sheet of paper. These collect in the indentations formed where writing had been carried out on the top sheet. Comparing the indentations on the lower sheet with the writing on the top sheet should highlight any discrepancies. The technique works even if the sheet is upside down and the writing forms a ridge.

Whatever the explanation for its effectiveness the process has already been used in overturning a number of important prosecutions, including the case of the Birmingham Six, who were wrongly imprisoned for IRA bombing atrocities.

Communications Audit has also found commercial demands for enhancing video tapes. The equipment for this takes the best elements from each frame and combines them to provide a single clear image. A company carrying out a survey of some mine workings under properties in the north of England lowered a small television probe through a hole in the floor. In this case the image enhancer not only showed the periphery of the workings but also picked out what looked like a skull on the floor. "They are still trying to get confirmation on the skull. If they do it looks like they'll have to dig up the floor," said Vafiadis.

Demand for commercially available video enhancement at present centres on taking prints from videos of armed robberies and on examining film of disasters such as aircraft crashes. The technique is also used by police forces to pick out faces in crowds.

Vafiadis had not forgotten the Geoff Hurst goal. England was awarded the goal after the ball hit the crossbar but the debate about whether or not it crossed the line has raged for the last 25 years. The video enhancement gave a clear picture of the ball falling towards the line. Vafiadis thought it crossed the line but had to admit he could not be certain. The enhanced film could do nothing about the keeper whose body obscured the vital bounce. Even forensic science has its limitations.



WORTH WATCHING

by Della Bradshaw

Props unveiled for multimedia

EXPERTS in the personal computer world are predicting that multimedia – the simultaneous mixing of digital video, audio, text and graphics – will provide a much needed shot in the arm for PC sales in the late 1990s, writes Paul Taylor

With this in mind Intel, the Silicon Valley chipmaker, is demonstrating its latest set of DVI (digital video interactive) products, developed jointly with IBM, at a series of European roadshows.

Intel claims its products will bring higher-quality interactive video to the PC screen at affordable prices. Its demonstration featured an impressive PC desktop display of real-time video and video sequences stored on CD-Rom (compact disc read only memory).

The new products, Action-Media II, are aimed at multimedia developers and include plug-in PC boards based upon Intel's programmable i750 video processor chip and a software development package called AVK (audio video kernel). AVK makes the boards compatible with IBM's OS/2 1.3 operating system, Dos and Microsoft's Windows 3.0 and ensures a high degree of portability between systems.

Female condom awaits approval

A NEW form of contraception for women may soon be on the market in the US if Food & Drug Administration approval is forthcoming, writes Karen Zagor.

Wisconsin Pharmacal, of Jackson, Wisconsin, has applied for pre-market approval for its "Reality vaginal pouch," or female condom. Reality is made of polyurethane, which is 40 per cent stronger than latex and deteriorates less quickly in storage. The design of the barrier device is based on the male condom and the diaphragm.

The female condom is believed to be significantly more effective than the standard latex male condom in protecting women from disease. The company says that Reality, which has been under development for about four years, has been tested on about 1,700 women in 71 medical centres in 10 countries. According to the company, studies show that the Aids virus and viral particles smaller than the hepatitis B virus cannot penetrate the sheath.

Tiny motor packs a powerful punch

A TINY electro-magnetic motor, developed in Japan, could provide the driving power for a whole generation of "micromachines", which could be used in applications as diverse as inspecting small diameter tubes in industrial machinery to travelling through the human bloodstream or digestive tract.

Developed by Toshiba, of Tokyo, the motor, including bearings, coils and magnet is housed in a 5mm long cylindrical casing with a diameter of just 3mm. The company says it has achieved the minute proportions through precision machining, miniature coils and the use of a chip to control the motor's motion.

The Toshiba motor uses electromagnetic force to generate the driving power – most other tiny motors use electrostatic force which is easier to miniaturise but requires a high voltage for sufficient driving power.

Paper chased from cartons

A RESEARCH consultancy in Adelaide, Australia, has discovered a quick and cheap way of recovering the paper content from used milk and fruit juice cartons.

Chem Re-Action, developers of the technique, stumbled across it while working on a process to remove paper and other materials from waste plastics. The researcher discovered a chemical mixture which can separate the paper in the cartons from the polythene and aluminium, both of which can be re-used. The resulting paper chips are easy to transport and can be processed by any paper mill.

The company is now working with carton manufacturer Tetra Pak to develop the technology to commercial levels.

Drug screening hits the streets

DRUG Screening Systems, of Blackwood New Jersey, expects to add marijuana to the slate of drugs that its drug screening kit is capable of detecting, writes Karen Zagor.

Following independent clinical evaluation which the company said produced results that met industry standards, Drug Screening Systems has applied for FDA approval to test for marijuana. The company said the FDA had already cleared for marketing tests for opiates, methamphetamine and cocaine on the basis of similar results.

Drug Screening Systems makes on-site drug screening kits which are sold in the US for pre-employment screening. The kits are distributed in the US and EC through Wells Fargo Investigative Services. The company said its kit is easy to use and provides results within minutes.

Tough fibre stops speeding bullets

A TOUGH material, already being used in bullet-proof vests for the US police, could soon find its way in products as varied as surgical gloves and fishing nets.

Spectra Shield, from Allied Signal, of Petersburg, Virginia, is made of polyethylene fibre which is non-woven. This means it absorbs and dissipates energy very quickly, making it suitable for stopping the hail of bullets from automatic and semi-automatic weapons. The resulting body armour is 10 times as strong as steel, say the manufacturers.

Its strength makes it useful for ropes and impact-resistant components for airlines, while its resistance to chemicals and moisture makes it ideal for protective gloves – for surgeons, for example.

Contacts. Intel: US, 408 765 8080, UK, 0793 696004. Wisconsin Pharmacal: US, 414 677 4121. Toshiba: Japan, 03 3457 2104. Tetra Pak: Australia, 02 632 1200. Drug Screening Systems: US, 609 228 8500. Allied Signal: US, 804 520 3495

MANAGEMENT

Treating the NHS

Pace of change is put on a monitor

Alan Pike outlines an academic approach

The National Health Service is undergoing the biggest changes to its management and structure since it was formed in 1948. Or is it? Parliament has legislated for change. Directives have flowed from Whitehall to regional and local managers. But is all this activity guaranteed to lead to change on the ground? And if so, at what pace and around whose priorities?

The question of how to achieve and direct change is crucial for managers in large organisations. Britain's health service, one of the largest organisations in the world, provides fertile ground for examining the issue.

Andrew Pettigrew and Ewan Ferlie at the centre for corporate strategy and change at Warwick University business school have completed a four-year study of the NHS to identify stimulants and barriers to change, and the skills required for managing change successfully. Why, they ask, does the pace of change vary between health authorities facing similar circumstances and apparently working to the same agenda?

Trevor Humphries

St Mary's Hospital: managers devised a strategy that combined retrenchment with redevelopment

The Warwick team looked at the NHS during the late 1980s in the wake of the introduction of general management. This replaced the service's committee-based structure with a more conventional one under which local managers report to an NHS board. Pettigrew concludes that the new system of general management has turned out to be anything but general, producing "almost as many general managements as general managers".

At the heart of the study's findings is the conclusion that pressures for change must be well received at local level.

The study identifies eight elements which help to explain why the pace of change varies so much. These are:

- The quality and coherence of policy. Data and the way they are handled is important. Managers in authorities which treat data seriously will be able to substantiate their case and prove to critics that proposals are feasible.

This does not mean managers should get bogged down in detail – Pettigrew's research suggests that policies driven by "broad impressive visions" are more likely to succeed than those built around minutely detailed blueprints.

- Key people to lead change. Pettigrew deplores macho managers and the "myth pumped up by the 1980s airport bookstall boom in guides explaining how to be a good manager". Instead he favours management by teams with complementary skills. These are not just people with skills like finance, but political fixers who know how to handle health authority members and keep the doctors happy.
- Environmental pressure. Financial and other crises are every day elements of NHS management. This "culture of panics" can deflect managers from the their jobs and drain energy from change programmes.
- Organisational culture refers to the assumptions and values of an organisation and, in Pettigrew's view, there is no single culture in the NHS. He believes change in the service is most likely to be achieved by people who work flexibly together rather than through formal hierarchies. Pettigrew has time for the "deviants and heretics" who are prepared to say the unsayable.
- Managerial clinical relations. Doctors, with their professional knowledge and closeness to the patient, can be powerful opponents of change. Managers who enjoy good relationships with clinicians, and hospitals where managers and doctors understand each other's problems, score well on the scale of successful change.
- Co-operative networks. Many changes in the NHS require the support of other agencies like local authorities and voluntary organisations, over which health authorities lack control and must win influence. "Informal but purposeful networks" between agencies, says Pettigrew, help to achieve change.
- Simplicity and clarity of goals and priorities. Persistence and patience in pursuing objectives, and the ability to override short-term pressures, was found to be a characteristic of managers who achieved change successfully.
- Local circumstances. The study found that factors like the nature of an authority's workforce, the local political culture, whether or not a health authority covered a single population centre and whether it shared common boundaries with the local authority social services department could all influence attempts to introduce change. While many of these circumstances were beyond managers' direct control, awareness of them helped in anticipating potential obstacles to change.

Pettigrew and Ferlie looked at the way actual change projects like bed rationalisation and the restructuring of services were handled in pairs of similar health authorities, applying their guiding principles to specific cases.

Managers in London's Parkside health authority, which runs St Mary's teaching hospital, used the fact that the district was losing money under government funding arrangements to develop a strategy which combined retrenchment with redevelopment. Influential doctors were persuaded to support the strategy and, says Pettigrew, the managers used financial crises – some real and others pseudo – to accelerate the radical restructuring of hospital provision.

In the similarly affected neighbouring district of Bloomsbury, however, the management failed to form a dominant coalition with other powerful interests and was diverted into a series of short-term measures to meet financial targets. Overspending in the district – which is responsible for the University College and Middlesex teaching hospitals – led to unplanned bed cuts and a "humiliating appeal" to the regional health authority for relief. Efforts by managers to reduce clinical activity only reinforced the resolve of "opportunistic" opponents on the health authority, and the management lost control of the district's strategy.

Pettigrew stresses the importance of the eight elements together – they are not a pick-and-choose checklist. One of his worries about the NHS involves the "culture of panics" which characterises much of its management activity.

He says the service's management structure features "endemic short-termism and over-reaction" arising from political and publicity pressures. Managers find it difficult to "disentangle the urgent from the important", while the most essential managerial objectives can disappear in the smoke of one-off crises.

"Few of the disturbances which are labelled as crises are . . . life threatening," he says. "Most are just bubbles of short-term excitement which managers have come to expect, perhaps even to need to convince themselves of the profundity of their task and position."

Allied to the regular intervention of crises to divert managers from their main priorities is, believes Pettigrew, a second problem – many NHS managers do not stay in the job long enough to see projects through. He blames this on the service's lack of a structured internal labour market which could keep individuals in essential jobs as well as move people around. So, he argues, "past learning is easily lost, priorities constantly shift and the urgent drives out the important" in the NHS.

One of Pettigrew's central messages is that grand reforms devised at the top of organisations must be fine-tuned at lower levels, to relate them to local circumstances and attach local commitment to the change process.

The NHS is currently engaged in its grandest-ever reforms – the move to a health care system funded and managed on market principles. Pettigrew is convinced that his findings, to be published next year, are generic ones which will be applicable to the current changes. He has already discussed them with Duncan Nichol, NHS chief executive.

How to stay on the ball, off the field

Lucy Kellaway reports on the serious business of sport

Will Carling, the 25-year-old England rugby team captain, plans to teach the top brass of British industry a lesson. Yesterday he was busily inviting chief executives to plush country house hotels for a series of two day courses in "personal development planning".

What does that mean? Carling looked diffidently at his Gucci shoes. "Well, it's in the brochure," he said. Apparently, it means "strategic thinking, goal setting, risk taking, performance under pressure, stress relief and positive attitude". The idea is that sportsmen excel in all these areas, whereas harassed senior businessmen have let that side of their development slide.

Carling, with his shy manner and his psychology degree from Durham University, has brought together some of Britain's brighter sporting stars including Gary Lineker, captain of England's soccer team, and Mike Brearley, former captain of England's cricket team, to form a company called Insights. At the Insights seminars, businessmen will learn to think about their strengths and weakness and devise their own personal "Wheel of Success" to help do their jobs better.

Ashley Ashwood

England captain Will Carling: "I see myself as a businessman"

In the US the idea of sportsmen teaching businessmen is old hat. But might British businessmen be sceptical? Is there also a danger that the seminars would attract sports-mad executives, happy to spend £1,500 as a tax-deductible way of spending two days with their heroes?

"We will not refuse anyone who wants to come. But this is not glorified after-dinner speaking. It is serious business," says Carling.

The idea came to him when he worked in the marketing department at Mobil Oil. He went to a conference where Frank Dick, the athletics coach, did a talk with a video. "It was all people could talk about for months afterwards", he said.

Being the captain of a sports side is similar to leading any team, he says. On motivation, Carling offers the following advice: "No one can motivate an individual. You can only provide an environment where people are appreciated and feel a useful member of that team".

On success and failure, he is also a mine of advice. "You have to take calculated risks. Too many people are scared to fail. Truly successful people never make the same mistake twice." Losing to Australia in the World Cup last Saturday was rich in management lessons, he said. "We must find out why they beat us. We won't be satisfied by saying they are better".

Despite such confidence, Carling becomes less certain when it comes to outlining the weakness of British managers. "I haven't done a survey of them, so I don't know," he says. Then, warming to the theme: " Chief executives are very much figureheads of a company. If they are lacklustre, it filters down through the organisation".

The hope is that the business will last long after Carling's rugby days are over. "I see myself as a businessman," he says, looking the part in a dark blue suit and smart spotted tie.

Carling has met lots of senior businessmen over the last few years who are curious about why sportsmen are successful.

So why is Will Carling successful? He laughs, blushes. "Oh, it's hard to say. Planning. Training. Observing. Learning from others who are successful. Persistence"".

It is as easy as that.

FT LAW REPORTS

Arbitrator is qualified to act in reinsurance case

PAN ATLANTIC GROUP INC AND OTHERS v HASSNEH INSURANCE CO OF ISRAEL LTD

Queen's Bench Division (Commercial Court): Mr Justice Hirst: October 11 1991; Court of Appeal (Sir Donald Nicholls Vice-Chancellor, Lord Justice Russell and Lord Justice Leggatt): October 21 1991

AN ARBITRATOR who, at time of appointment, satisfies a qualification requirement that he be employed by an insurance or reinsurance company, as set out in an arbitration clause concerned mainly with the appointment stage of the arbitration, is not disqualified by his subsequent retirement from the company, in the absence of express words to the contrary.

The Court of Appeal so held when dismissing an appeal by the plaintiffs, Pan Atlantic Group plc and others, from Mr Justice Hirst's decision that an arbitrator appointed by the defendants, Hassneh Insurance Co of Israel Ltd, was qualified to act.

MR JUSTICE HIRST said that Pan Atlantic and 18 other insurance companies were claimants under a quota share reinsurance agreement. The treaty was signed on July 2 1981. Hassneh were the re-insurers.

The contract contained an arbitration clause.

The first sentence of the clause provided: "All disputes or differences arising out of the interpretation of this agreement shall be submitted to the decision of two arbitrators, one to be chosen by each party..."

The second sentence provided: "The arbitrators shall be disinterested executive officials of insurance or reinsurance companies."

The third sentence provided: "If either of the parties fails to appoint an arbitrator within one month after being required by the other party... such arbitrator... shall... be appointed by the Chairman of the Reinsurance Offices Association of London."

By letter dated December 6 1988 Pan Atlantic served on Hassneh a notice of arbitration, calling on them to appoint an arbitrator.

Hassneh appointed Mr John Butler of the Mercantile and General Insurance Co (M&G).

Pan Atlantic now sought a declaration that Mr Butler was not qualified to act as arbitrator.

The main issue was whether Mr Butler was qualified as an "executive official of an insurance or reinsurance company" under the second sentence of the arbitration clause.

Although at the date of his appointment Mr Butler was an executive official of M&G, he retired from that company on July 28 1991.

Pan Atlantic contended that on its proper construction, the second sentence required the arbitrator to hold executive office of an insurance or reinsurance company throughout all stages of the arbitration, up to its conclusion.

Hassneh submitted that on its proper construction, it required no more than that the arbitrator should hold executive office at time of appointment.

Mr Butler's professional competence for the purpose of sitting as an arbitrator was not in dispute.

He was a non-practising barrister, co-author of one of the standard works on reinsurance law, president of the British Insurance Law Association, and of another prestigious Insurance Association. He had worked for M&G for 29 years.

Mr Beloff for Pan Atlantic submitted that there was no express limit in the arbitration clause as to when the qualifications must be enjoyed, and that accordingly they must *prima facie* be possessed throughout the currency of the arbitration.

Mr Flaux for Hassneh submitted that the second sentence of the arbitration clause must be read in the context of the clause as a whole. He said the first sentence dealt with submission and appointment, and the third sentence dealt with failure to appoint. Thus, he said, the second sentence was also directed to the appointment state, there being no express words requiring the holding of executive office throughout the arbitration.

The second sentence did not point clearly either way. It was therefore necessary to read the sentence in the context of the clause as a whole.

The first sentence had a double purpose: first, to prescribe the reference of all disputes to arbitration; second to prescribe the mode of submission, namely to two arbitrators, one to be chosen by each party.

Thus the second purpose was directly related to the appointment stage.

The third sentence dealt exclusively with the appointment stage, should there be a failure by one party to appoint.

That seemed to lend strong support to Mr Flaux's argument that the second sentence also was directed to the appointment stage.

If Mr Beloff was right, not only would an arbitrator in a long arbitration be inhibited from voluntary retirement lest that should render the arbitration null and void; but he would also be placed in an impossible position should he, for example, reach the age of compulsory retirement under his employers' regulations, or be made redundant against his will.

Mr Beloff's answer was that in such a contingency the disqualification could be waived by the opposite party.

But that would not necessarily follow, particularly if the opposite party saw advantage to himself in an arbitration having to restart afresh.

Mr Beloff submitted that the arbitrator's insurance and reinsurance experience, unless contemporary, might be of less utility because market practices might have changed.

The dispute would have arisen prior to appointment, and therefore at a time when he held the required office, and was familiar with market practices current at the relevant stage.

It was held that the qualification requirement related only to date of appointment.

The application was dismissed

For Pan Atlantic: Michael Beloff and Steven Berry (Paisner & Co).

For Hassneh: Julian Flaux (Holman Fenwick & Willan).

LORD JUSTICE LEGGATT said that the issue on the appeal was whether the fact that Mr Butler was no longer an official of an insurance company disqualified him from continuing to act as arbitrator.

Mr Beloff submitted first that the absence of express time limit with reference to the qualifications, should result in a construction requiring possession of the qualifications without time limitation, ie throughout the currency of the arbitration.

The absence of a time limit told nothing.

Mr Beloff said the clause could have stipulated that ex-officials could remain as arbitrator notwithstanding retirement.

Equally it could have been said that arbitrators must remain employed until after their award had been made.

It did neither, and that suggested it was not concerned with any stage in the arbitration after appointment.

The purpose of the clause was to ensure that the right sort of persons sat as arbitrators, rather than to ensure that those appointed kept their hand in.

Second, Mr Beloff argued that the reference to "decision of the arbitrators" put a focus on the need to continue to enjoy the qualifications until decision was given.

The subject matter of the clause was the composition of the tribunal. The use of "decision" was not for emphasis but simply to identify the persons by whom the tribunal was to be constituted. It merely referred to the method of determination of the dispute.

The context seemed firmly set at the stage of appointment.

Third, Mr Beloff argued that it was inconceivable that it had been envisaged that the arbitrators could be other than "disinterested" at the date of hearing, and therefore the same should apply to the other part of the qualification, ie the need to be employed by an insurance or reinsurance company.

The loss of either qualification was unlikely. It was not sensible to contemplate that the clause was evolved with the object of ensuring that arbitrators remained experienced, and disinterested, until they made their award. There was no necessary focus on the stage at which it was required that the arbitrators appointed should be disinterested.

Fourth, Mr Beloff argued that experience might have receded in the memory of a retired arbitrator, at any rate if any length of time elapsed between his retiring as an official of an insurance company and publication of his award.

The argument missed the mark.

It was with the practice of the time when the dispute arose that arbitrators must be familiar, and that was ensured by the requirement that they should still be serving employees at time of appointment.

It would be ridiculous if, on accepting appointment, an arbitrator were impliedly expected to accept an obligation to remain employed, so long as the arbitration might subsist.

The appeal was dismissed.

Sir Donald Nicholls VC and Lord Justice Russell agreed.

For Pan Atlantic: Michael Beloff QC and Jane Oldham (Paisner & Co).

For Hassneh: Julian Flaux and Stephen Kenny (Holman Fenwick & Willan).

Rachel Davies
Barrister

The Thames tide turns

By Vanessa Houlder

Has the tide turned in favour of the East Thames Corridor, an area long beset by poor communications and the decline of its maritime-based industries?

This impoverished pocket of the affluent south-east is now the focus of unaccustomed attention, following a development initiative proposed by Mr Michael Heseltine, secretary of state for the environment. The government is already employing consultants to examine the region's development potential, together with local authorities and planning organisations.

If political will alone were enough, the regeneration of the area would be assured. As well as bringing wealth to some of the poorer parts of east London, Essex and north Kent, the development of the area will also take pressure off the over-crowded home counties.

However, if property developers are to turn political will into reality, they will require the carrot of incentives, such as improvements to the transport infrastructure in the area.

Already there are signs of how new transport links can generate fresh development. Dartford and Greenwich, two boroughs in the corridor which are pursuing ambitious development schemes, illustrate the potential – and problems – of the area.

The opening of the Dartford river crossing last week is part of an extensive series of transport improvements in Dartford, ranging from the arrival of the M25 to the proposed Thames Industrial Route, which links Erith to Rochester. Under the proposed fast rail link from London to the Channel tunnel, there may be a station at Dartford International. In addition, Dartford International Ferry Terminal has emerged as one of the country's fastest growing ports in the past few years.

One of the main beneficiaries of these developments is Blue Circle Industries (BCI), the cement company which claims to be the largest landowner in north Kent. BCI has mined chalk and manufactured cement in the area for more than a century, with the result that today it owns 70 per cent of Dartford east of the new river crossing

Over the past few years, the opening of the M25 and the rationalisation of BCI's operations have drawn attention to the potential of these property holdings. BCI is building the UK's biggest business park next to Dartford Bridge, with 3m sq ft of offices and warehouse and three hotels.

Even by the exaggerated standards of the property industry, Mr Tony Kemp, property director of Blue Circle Initiatives, is unusually enthusiastic about the site.

He points out the old Roman route of Watling Street, which runs just south of BCI's land: "This has always been the fastest route from London to the continent," he says. In addition, he adds, "you have one of the most beautiful parts of England within minutes ... you have a body of trained labour in Rotherham and Gillingham and also a 100 per cent commitment to regeneration and growth – you don't get a nimby ('not in my back garden') attitude here."

He is excited by the proposed route for the fast rail link to the Channel tunnel. "A small step for mankind, a giant step for BCI," he says. Mr Kemp believes – rather improbably – that land values in Dartford will catch with those of west London within two to three years.

BCI's other project in the area is the proposed £350m Bluewater retail park, which, if completed, will be one of the largest shopping centres in the UK. If it goes ahead, the development will benefit from a dramatic setting – it will be situated in the depths of a vast 300-acre chalk quarry. Yet the proposed scheme is uncomfortably close to the large Thurrock shopping centre, though, as Mr Kemp says, Thurrock attracts only 12 per cent of its custom from south of the river, leaving this more affluent catchment area for Dartford. BCI hopes to secure the funds for the project from a consortium of institutional investors.

The project's chances of success are questionable, however. Surveyors believe that BCI could have difficulty in securing investors, as several shopping centres already on the market are considered to have greater potential.

Greenwich is the most visited tourist attraction outside central London, but away from the Cutty Sark and its masterpieces by Inigo Jones and Sir Christopher Wren, it is in as much need of new development as any part of London.

The borough is optimistic about its prospects – it likes to describe itself as a gateway to the south-east and continental Europe – but its officials are concerned that the decision to route the fast rail link to the Channel tunnel north of the Thames, may divert potential developers' attention from southerly boroughs such as Greenwich.

Greenwich has more than 200 hectares of developable land stretching from Deptford Creek, opposite the office towers of the Isle of Dogs, down to Thamesmead, the new town built by the Greater London Council, the former authority for the capital, in the east.

The borough has produced a blueprint for its future development, which enthuses about the waterfront's "rare opportunities for change. After decades of decline in its traditional riverside industries, new roles and new potential are within reach," it states.

Mr Stuart Robinson of Hillier Parker, chartered surveyors, sounds a more sceptical note. Without further improvements in transport facilities in the area the chances of the borough's dreams been realised are slim. "It is very easy for local authorities to think that things are moving in their favour. But an awful lot needs to happen," he says

British Rail is the main provider of transport services in the area (traditional industry was largely dependent on river transport). The western flank of Greenwich will benefit from the extension of the Docklands Light Railway in 1994 and the completion of the Jubilee line in 1996.

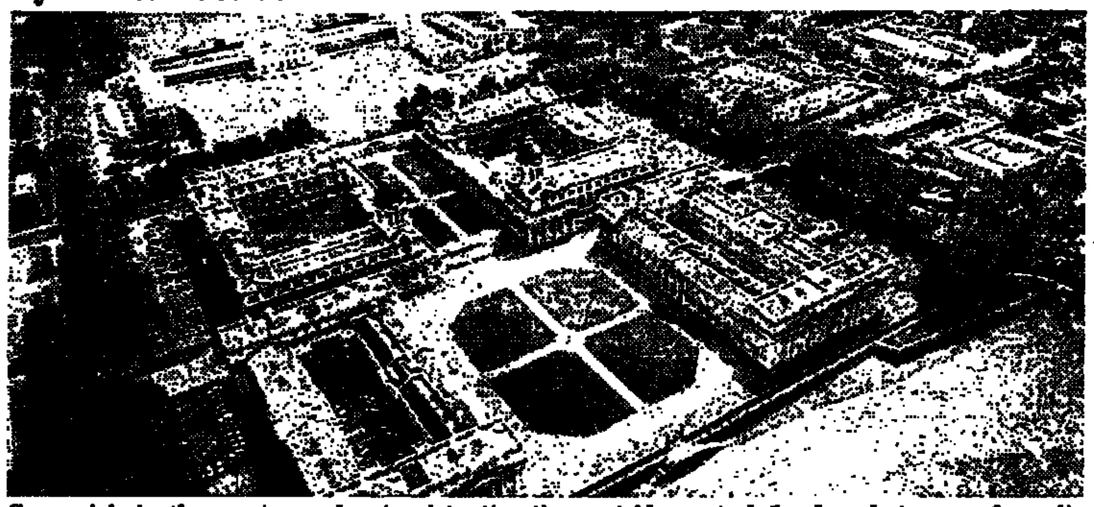
The arrival of the Jubilee line in 1996 will, it is hoped, make possible the development of formerly uneconomic sites. Already the arrival of the Jubilee Line has spawned plans for development of the 119 hectares of derelict land on Greenwich peninsula which belong to British Gas. The utility is shortly to submit a revised application for a large mixed development on the site.

Woolwich, at the easterly end of the borough, is far more isolated, and this is likely to impede its efforts to attract development to the area. The borough's attention is focused on the Woolwich Arsenal, a stone's throw away from the centre of Woolwich, which will be vacated by the Ministry of Defence by 1995.

The Woolwich Arsenal site is impressive, with some 20 listed buildings, including the Royal Brass Foundary of 1717 attributed to Sir John Vanbrugh. The borough would like to see the site developed as a tourist attraction, alongside residential and industrial developments.

The commercial value of the site is however, rather doubtful. Renovation and upkeep of the listed buildings will be costly, even if the Arsenal is able to capitalise on its past by housing a military museum. It seems unlikely, for instance, that Thames Polytechnic, a possible tenant, could afford to move into the premises. The only viable proposition to emerge so far is a superstore, which could be housed behind the elegant facade of the Royal Carriage Factory.

The contrast between the economic prospects for Dartford and Woolwich illustrates the important role of transport can play in creating opportunities for development. Without improvements, those parts of the East Thames Corridor with poor transport links are as likely to miss out on the next development bonanza as the last.



Greenwich is the most popular tourist attraction outside central London, but away from its neo-classical masterpieces, it is in as much need of new development as any part of the capital

CAPITAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to Sept 91	-7.1	-15.9	-5.5	-10.4
Quarter to Sept 91	-0.9	-4.2	0.3	-2.0
Month of Sept 91	-0.1	-1.4	0.5	-0.5

Source: Investment Property Databank

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re PAN AM CORPORATION et al., Debtors.
: Chapter 11 Case Nos. 91 B 10080 (CB) through 91 B 10087 (CB)

NOTICE OF APPROVAL OF DISCLOSURE STATEMENT

PLEASE TAKE NOTICE that a hearing on the adequacy of the disclosure statement (the "First Amended Disclosure Statement") that was filed with the First Amended Joint Consolidated Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code for Pan Am Corporation and Its Affiliated Debtors was held before the Honorable Cornelius Blackshear, United States Bankruptcy Judge, on October 24, 1991, and the Court has approved the First Amended Disclosure Statement as containing information, of a kind and in sufficient detail, adequate to enable the holders of Claims against the Debtors to make an informed judgment with respect to acceptance or rejection of the Amended Plan.

PLEASE TAKE FURTHER NOTICE that the Court has also fixed November 25, 1991 as the last date by which parties in interest may submit acceptances or rejections of the plan, and has scheduled confirmation hearings with respect to the plan on December 3, 1991 at 2 p.m. or as soon thereafter as counsel may be heard at the Bankruptcy Court for the Southern District of New York, One Bowling Green, Room 601, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that copies of the First Amended Disclosure Statement and the Amended Plan are available for review during regular business hours, Monday through Friday, at Pan Am Corporation, 8 King Road, Rockleigh, New Jersey, at the offices of Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, 44th Floor, New York, New York 10006, and at the office of the Clerk of the United States Bankruptcy Court, Southern District of New York, 6th Floor, One Bowling Green, New York, New York 10004-1408. Copies of the plan and Disclosure Statement may be obtained at the requesting party's expense by making a written request to B-Copy, Alexander Hamilton Courthouse, One Bowling Green, 5th Floor, New York, New York 10004.

Dated: New York, New York
November 1, 1991

CLEARY, GOTTLIEB, STEEN & HAMILTON

By: /s/George Weisz
George Weisz (GW-7130),
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ARTS

Allusion and illusion

Susan Moore on Fornasetti at the V&A

One of Fornasetti's 'Theme and Variation' plates from the series of over 500 of a woman's face produced from the 1950s to 1980s

Piero Fornasetti fits uncomfortably into the canon of 20th century design. At a time when Modernism demanded a relationship between form and decoration, and ornament and allusion were viewed with distrust, the Milanese designer focused full attention on surface decoration. Moreover, he was happy to decorate other people's surfaces – from furniture designed by his friend Gio Ponti to ceramic blanks supplied by Eschenbach or Ginori.

The distinctive Fornasetti treatment was applied to a wide range of mass-produced domestic trifles. Umbrella stands, lamp bases, waste-paper bins and coffee cups became vehicles for his fantastical imagination and, more unexpectedly, for an idiosyncratic celebration of the national heritage. (Fornasetti is not untainted by fascism.) Ancient Rome, Renaissance architecture, Italian opera and the commedia dell'arte were all points of departure.

He was a master of optical subversion – illusionism that tricked the eye and teasing visual puns. His was essentially a graphic aesthetic, and he delighted in applying the two-dimensional to three-dimensional objects. Architectural engravings were adapted to transform a biscuit barrel into a Palladian rotunda, a chair back into a Corinthian column, a Venetian blind into what else but Sansovino's Venetian Library.

At one extreme is furniture as architecture, a grand bureau which opens up to reveal a spectacular trompe l'oeil Renaissance interior. At the other is a ceramic ash tray in the form of a crushed bill for an opening night at La Scala. A table setting pretends to be made of newsprint; a trompe l'oeil table mat pretends to be that table setting. The bodies of Adam and Eve are apportioned to a dozen dinner plates: a new relevance to the inquiry "breast or thigh"?

Given his ironic wit and penchant for allusion as well as illusion, it is little wonder that a Post Modern generation should have rediscovered him in the 1980s, when he was in his 70s and his – now revived – workshop had closed. Even those who have never visited the emporium on the via Brera will find Fornasetti style familiar through the textiles and furniture of a proliferation of young plagiarists.

The renewed interest in the designer, who died three years ago, has also spawned a lavish monograph, "Fornasetti: Designer of Dreams" – sadly more eulogy than art history – by Patrick Mauriès, with an essay by Ettore Sottsass (Thames & Hudson, £42), and a retrospective at the Victoria and Albert Museum, until January 19 (sponsored by the licensor of Fornasetti products, Immaginazione).

Both reveal him as a true maverick and impossible to pigeon-hole. Not only was he a designer for a variety of media - from books to glass and textiles, shops windows to interiors - but a printer, illustrator, craftsman and manufacturer. He is also shown to be rather a bad painter.

His drawings are particularly illuminating. There is very little of any originality, and a great deal that reveals his relationship to fine art and his response to the "return to order". Part Cubist, part Surrealist, their neo-Classical purity of line is indebted to Picasso and Cocteau, as indeed is some of Fornasetti's subjectmatter.

It is no coincidence that Fornasetti should drape a guitar as soft as Dali's famous clock over a chair back and seat, or that he should design a "Metaphysical Room" out of moveable screens – and out of de Chirico. Both are perfect illustrations of how Fornasetti took up something second-hand and transformed it into something quite new.

Fornasetti restricted his attention to perhaps two dozen different motifs. The one which lent itself to seemingly inexhaustible interpretations was a vacant and enigmatic female face. Beginning in the pre-Pop era, he produced over 500 serial images of that face adapted through myriad flights of fancy and printed onto porcelain plates. These "Themes and Variations" plates bearing her ever fluid features line entire walls at the V&A.

★

An interesting complement to the show is a small exhibition at Spink's (until November 22) of the almost contemporaneous decorative work of Duncan Grant and Vanessa Bell, either for Roger Fry's Omega Workshops in Bloomsbury or for their own post-Omega enterprise. The onus is again on surface pattern rather than form, and on a wide variety of utilitarian objects. That is where the similarity ends. The difference between them is not so much painterliness versus graphics, as British quirkiness – here gaucheness – and the slick, streamlined aesthetic of Italian design. That contrast is still apparent in the decorative arts today.

'Die Soldaten' in New York

Zimmermann's *Die Soldaten* has reached New York, for five performances at the City Opera. Soon after its premiere (Cologne, 1965) it was hailed as a masterpiece and was widely performed. The composer's professed aim was to enlist every modern theatrical resource and music of all ages – Gregorian chant, Bach chorale, Expressionism, musique concrète, the hully-gully, the twist – in a taut, terse "pluralistic opera". (four acts, 15 scenes, in 107 minutes). He chose Lenz's play as subject, he said, less for its social content than because its numerous short scenes would serve his purpose well.

Lenz, writing in 1775, (Mozart could have set *Die Soldaten*), was but a limited social reformer, no Büchner. He had nothing against soldiers, he said: they had to be brutal if they were to be efficient; married life would only soften and distract them. But he regretted the harm that they could do to poor girls dazzled by them, and wrote a tragedy about the downfall and degradation of Marie, a merchant's daughter, who is allured by an titled officer and, encouraged by her ambitious father, aims at a match above her station and abandons her bourgeois fiancé.

The officer, never contemplating marriage in earnest, casts the girl into the lusty embrace of his gamekeeper. The fiancé, seeking revenge, joins the army and, as a batman, laces the officer's soup with rat poison. Lenz's proposal to prevent such tragedies was that the King should establish training schools for military paramours and ensure that their profession was regarded as respectable and gloriously patriotic. Apparently without irony, he added that the King "would thereby save recruiting expenses, and own the children."

As he worked, Zimmermann's tragic vision of a world moving toward destruction took over. (He committed suicide five years after *Die Soldaten*.) Soldiers became a symbol of a more general brutality. His virtuosity exploded in a high-spirited café scene accompanied by a percussion toccata of clinking glasses, cards slapped down, cheers, chatter, tap-dancing ensigns (each in a different metre), jazz combo – all intricately notated. The opera's climax is a phantasmagoria of simultaneous scenes, simultaneous musics, films on three screens. At the close, the theatre is ringed with the sound of inexorably marching feet, military commands in many languages, the Lord's Prayer in amplified entreaty, and much else. Onstage, a drab accosts an elderly man – and Marie's father fails to recognise her. Silence; then a unison D *tutta forza*, and a long diminuendo during which an atomic-explosion cloud settles over all. It's powerful stuff.

Zimmermann uses a huge orchestra, more than any normal pit can hold: the percussion platoon, the piano, the harpsichord and the organs have to be stationed somewhere else and piped in through loudspeakers. But he uses its full force only in those two scenes and in the preludes and interludes. The rest is intimate: conversations between two or three persons, accompanied by chamber music of delicacy and beauty, with ever-varied textures. The new Teldec recording – based on a Stuttgart production but studio-recorded with a near-accuracy of notes and balance hard to achieve in the theatre – reassured me that the music hadn't dated; Zimmermann was a good composer.

The City Opera performance, conducted with commitment and conviction by Christopher Keene, has an even better cast. Lisa Saffer is a wonderful Marie – a new Ivogün, sweet and pure and expressive high above the staff, in regions where her predecessors grew squeaky or shrill. Zimmermann writes abominably high (and low) for everyone, in "unvocal" lines filled with leaps. Saffer makes sense of them, "justifies" them. So does an escalade of high tenors – Zimmermann calls for seven who can take high D's in their stride – among whom David Young, John Fowler, David Rampy, and Michael Rees Davies were outstanding.

Musically this *Soldaten* was red-letter. Scenically it was simplistic. Producer Rhoda Levine has strong feelings about operas but expresses them with blunt imagery and a childish determination to shock. The phantasmagorical multi-scene was replaced by a military gang-rape of Marie, through every orifice and in every position. One admired Saffer's acrobatic submissions and her ability to sing after so much activity, but wondered what it had to do with Zimmermann's more complicated and subtle intentions.

(Do producers think that adding onstage copulation automatically makes the music more exciting? We've had it lately in *Otello, Siegfried, Cavalleria, Traviata, Figaro*, Barber's *Antony*. Mannes College's latest production, *Ship of Fools*, is one episode after another – even between a novice nun, taking her vows before the altar, and the priest who administers them. The show was a public hit. Must opera now aspire to the estate of porn movies?)

John Conklin's set for *Die Soldaten* was an affair of movable benches and tables on a bare stage, with wrapped corpses hanging from the flies and a placard that said (in German, the language of the performance) "Marie is a good fuck." (Lenz's and Zimmermann's attractive, unfortunate heroine is surely no more than compromised in reputation – until the climactic scene with the gamekeeper.) The preludes and interludes, when all attention should be on what the orchestra is so powerfully saying, became accompaniment to toy-soldier pantomimes of saluting, goose-stepping, Heil Hitlering, moving the benches about. (The company had bought its costumes, cheaply, from the disbanded East German army.) Miss Levine had assigned similar robotic tics to "characterise" some of the principals – even Marie, swinging her legs to order to signal youthfulness, repeatedly reaching up and falling, like an automaton, through the finale.

Mixed feelings, then. An important opera notoriously difficult to perform – one that even the ENO hesitated to tackle – was brought to life. A cast was found for it vocally more accomplished, I'll venture, than any it has had before. The show ran smoothly. But the staging was coarse.

Andrew Porter

Alastair Muir

Barry Foster, Peter Howitt and Dorothy Tutin

Party Time

ALMEIDA THEATRE

Harold Pinter's new play lasts about five minutes over the half hour and may well be his last fling or, to refer to another (overworked) f-word in the Pinter vocabulary, his last something else.

Certainly *Party Time* has a touch of the valedictory about it. When the final character, Jimmy, appears at the end, he seems to be saying farewell in the way of Prospero at the close of *The Tempest*. "Sometimes a door bangs, I hear voices, then it stops. Everything stops. It all stops. It all closes. It closes down. It shuts. It all shuts. It shuts down. It shuts. I see nothing at any time any more. I sit sucking the dark." It's his dark, he says: it's the only thing he has, and he's going to go on sucking it.

So our rebels now are ended. Who is Jimmy? The arch-rebel of the 1950s in John Osborne's *Look Back in Anger?* Nobody knows. In Pinter nobody knows anything, nor are they meant to. The big difference between Pinter young and Pinter now is that nobody laughs much any more. That is not because the Pinter style has changed, but because the audience has seen through it.

One or two lines in *Party Time* struck me as quite funny, just as there is at least one good joke in the even shorter play, *Mountain Language*, which precedes it: "Intellectual arses wobble the best." The audience doesn't laugh because it is embarrassed about how to react. Indeed the audience doesn't know, till it's told, when either piece ends.

Party Time is about a rather grim party set in what is described as an elegant flat with an unseen military presence in the streets below: Holland Park under curfew. This play could not be anything but English. There is talk of a new sports club nearby. It sounds remarkably like a place in Hammersmith.

Nothing happens other than some rather desperate cocktail chatter. If there is a point, it is generational. Melissa, played by Dorothy Tutin, is 70. Various other characters are in the fifties, forties, thirties and twenties. Jimmy, when he arrives, is a young man. It is Jimmy who gives up and welcomes the dark.

Mountain Language was first performed at the National Theatre in 1988. I suppose that at the height of the Chilean repression it might have been seen as having something to say about terror. It might even be taken as an individualistic view of Switzerland: South Africa without the blacks. But what else?

Pinter is very good at creating frissons. There is nearly always fear beneath the surface and sometimes on top. He is also good at recreating boredom. When his pieces fail to develop, however, the suspicion recurs that he is fascinated by violence and indeed boredom for its own sake. A line in *Party Time* comes awfully close to the mark: "You keep hearing all these things spread by pricks about pricks." Pinter directs himself.

Malcolm Rutherford

Mozart bicentenary

ROYAL FESTIVAL HALL/BARBICAN

A mystery remains unsolved. Two months ago, when the South Bank was presenting its Mozart Now festival, there was a concert in which the soloist and conductor turned up for a performance of Mozart's late C Major Piano Concerto, but the trumpets and drums of the Orchestra of The Age of Enlightenment did not. Rumour had it they were still in the bar enjoying an extra pint and no other explanation has yet come to light.

The incident surfaced again this week, as the same concerto – but a different orchestra – came round at the South Bank on Wednesday. Unlike the Barbican, which has been pursuing its Mozart bicentenary commemoration in an orderly, year-by-year survey of the composer's work, the South Bank has chosen to plan its activities around unconnected small groups of concerts, often arranged with a certain artist as their focus. This month it is Murray Perahia's turn.

He will be making three appearances: a concerto programme, a chamber-music evening and a solo recital. Wednesday was the concertos, for which he was joined by the Academy of St. Martin-in-the-Fields. There was no fuss about directing the orchestra from the keyboard. Perahia just left them to get on with it. which the Academy did supremely well and with more spirit than when they accompanied him in the Beethoven concertos under the guidance of a conductor.

There were three concertos, subtly differentiated but each with a marvellously full range of expression. Perahia plays Mozart with the swift speeds and strong profile that we have come to expect in the late 20th century (no Dresden china fragility here) and makes no apologies for using a modern-day grand piano. There was a toughness about the playing which I found quite exhilarating, while other shades of nuance were always just at hand: the magic which he found in the opening of the F Major (K.413) concerto's slow movement was a marvellous example of what an inspired Mozartian can conjure from the simplest materials.

The E flat Concerto, K.482, had more than its usual ebullience, while the martial pomp of the C Major, K.503, went with splendid elan alike on the part of soloist and orchestra. Trumpets and drums were definitely well in the picture this time.

★

Meanwhile, the Barbican's chronological survey has reached 1787. With a welcome nod in the direction of the chamber music, the programme on Tuesday was devoted to the two most celebrated of the string quintets, which sounded surprisingly well in this large hall after my recent strictures regarding the acoustics.

The Takács Quartet is among the most cultivated of chamber groups active today, both in its sound and style. The players brought a nicely relaxed joviality to the C Major Quintet, K.515; but it was in the melancholy of the G Minor, K.516, that they offered their best form – especially the leader, Gábor Takács-Nagy, whose delicacy and wide range of expressive colours have not been heard to finer effect. György Pauk was the extra viola player, adding those sinister asides to the G Minor's brooding slow movement.

In between we had one of the sonatas for piano duet, which is music I have never previously heard brought into the public arena. Ronan O'Hora and Sarah Briggs were the stylish pair of soloists, leading us deftly into those unexpected corners where Mozart's mood turns dark and worrying. Essentially, though, this is music for the salon. How one longs for the return of the Wigmore Hall.

Richard Fairman

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

The New York City Ballet opens its 95th New York season on Tuesday, with the annual opening night benefit (870 5585). The programme includes Peter Martins' Ash, with music by Michael Torke, which was premiered during the Spring 1991 season; Balanchine's Who Cares? with music by Gershwin; and a preview of a new Peter Martins ballet set to music by Bach. From next Wednesday, City Ballet gives two weeks of repertory performances, including works by Balanchine, Martins and Jerome Robbins.

Balanchine's production of The Nutcracker will be presented daily except Mon from December 4 till January 5. During this season's 39 performances, virtually all the company's dancers will appear in the production, as well as two alternating casts of 50 children from the School of American Ballet. The City Ballet season runs till February 23, and includes a total of 29 Balanchine works, 14 by Robbins and 10 by Martins, as well as two by Richard Tanner and one each from William Forsythe, Sean Lavery and Bart Cook (870 5570).

The Washington Opera opens its 1991-2 season tomorrow despite a long industrial dispute with its orchestra. The company says it will use keyboard accompaniment if the orchestra dispute is not resolved in time. The first production is Don Carlo, which receives seven performances till November 25. The conductor is Rafael Fruhbeck de Burgos, and the cast includes Giacomo Aragall in the title role and Nicolai Ghiaurov as Philip (467 4600). Don Giovanni follows on November 16, conducted by Arnold Ostman. There are five other productions in the season, including the American premiere of a contemporary Chinese opera, Savage Land, by Jin Xiang (opening on January 18). The work, a blend of Chinese and Western music, was premiered in Peking in 1987, and will be performed in Washington by an all-Chinese cast, with English surtitles.

Also in the US, the Moscow Virtuosi, with their director/violin soloist Vladimir Spivakov, wind up their 19-concert tour with visits to Cleveland (tomorrow), Lexington (Sun), Fairfax near Washington (Nov 17), Princeton (Nov 18) and New York's Carnegie Hall (Nov 20).

■ EXHIBITIONS GUIDE

BERLIN

Brücke Museum Karl Schmidt-Rottluff (1884-1976): a comprehensive retrospective of watercolours by the German expressionist, with 140 works from all periods of his creative life, many of them being shown in public for the first time. Ends Feb 23. Closed Mon

CHICAGO

Art Institute Martin Puryear: 50 works by the American sculptor, who combines modern and non-Western traditions. Ends Jan 5. Also Grave Goods from Ancient Cultures: 40 objects illustrating burial customs of ancient civilisations. Ends Feb 25. Also From Pontormo to Seurat: 61 recently acquired master drawings by Gainsborough, Delacroix, Monet and others. Ends Jan 5. Daily

FRANKFURT

Städel Velasquez and Goya: portraits of Philip IV and Charles III, two of the greatest masterpieces from the Prado. Ends Jan 19. Also the Städel Moderns 1906-37: paintings dubbed degenerate by the Nazis, including work by Beckmann, Chagall, Kokoschka and Matisse. Ends Jan 12. Daily

LONDON

Barbican Japan and Britain: an aesthetic dialogue 1850-1930, with works by Whistler, Mackintosh and others who contributed to the exchange of influences. Ends Jan 12. Daily

Hayward Gallery Toulouse-Lautrec: the most comprehensive exhibition of his work ever held in UK. Ends Jan 19. Daily

National Gallery The Queen's Pictures: nearly 100 paintings tracing the growth of the royal collection over 300 years. Ends Jan 19. Daily

Tate Gallery Gerhard Richter (b1932): the first major survey in Britain of one of Germany's most eminent living painters. Ends Jan 12. Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of Europe. Ends Jan 26. Daily

Victoria and Albert Museum Visions of Japan: centrepiece of the Japan Festival in Britain. Ends Jan 5. Also Piero Fornasetti: drawings and designs by the Italian interior designer. Ends Jan 19. Daily

MADRID

Museo Nacional Centro de Arte Reina Sofia André Breton (1896-1966): wide-ranging exhibition recreating the aesthetic world of one of the leading theorists of Surrealism. Ends Nov 30. Closed Tues

Museo del Prado Jusepe de Ribera: retrospective, drawn from the Prado's own collection, of the 17th century painter whose Spanish realism was softened by contact with the Carracci, Velazquez and the Venetians. Ends Dec 29. Closed Mon

Fundacion Juan March Monet at Giverny: 20 oils dating from the period 1903-26, on loan from the Musée Marmottan in Paris. Ends Dec 22. Daily

MILAN

Palazzo Reale From Goya to Picasso: Spanish art of the 19th century. Ends Dec 1. Daily, late closing Wed

NEW YORK

Brooklyn Museum Objects of Myth and Memory: 250 native American objects acquired in the first years of this century. Ends Dec 29. Also Sigmar Polke, tracing the German artist's output from 1963 to the present. Ends Jan 5. Closed Mon and Tues

Metropolitan Museum of Art American Watercolours: 150 masterpieces from the museum's own collection. Ends Dec 10. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12. Also French 19th century drawings: 30 recent acquisitions. Ends Dec 1. Also Renaissance tapestries and armour from Flanders, Germany and Italy, on loan from the Patrimonio Nacional Madrid. Ends Jan 5. Closed Mon

PARIS

Galerie d'Art St Honore Flemish landscapes of the 16th and 17th centuries: from the earthiness of Peter Brueghel the Younger's country life scenes to the visionary mountain landscapes by Josse de Momper the Younger. Ends Dec 20. Closed Sat and Sun (267 rue St Honore)

Galerie Michele Heyraud Terry Haass: geometric volumes in plexiglass, which enchant with their purity, their reflections and prisms. Ends Nov 30. Closed Sun and Mon (79 rue Quincampoix, next to Centre Pompidou)

Grand Palais From Watteau to David: Les Amours des Dieux. 70 works from the school of 18th century painting, in which mythological themes offer a pretext for glorifying feminine nudity with pleasing sensuality. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais Gericault: retrospective marking the 200th anniversary of artist's birth. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais A Golden Age of Decorative Art: 350 works from the period 1814 to 1848. Ends Dec 30. Closed Tues, late closing Wed

Musée des Arts Decoratifs Dubuffet: the artist's personal collection of his own work, donated to the museum in 1967. Ends March 29. Closed Mon and Tues

Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves, focussing on his early years and including a recording of the artist describing his formative influences. Ends Jan 20. Closed Tues

Musée d'Orsay Munch and France: the interaction between Munch and French art resulting from his visits to Paris between 1885 and 1908. Ends Jan 5. Closed Mon, late closing Thurs

ROME

Palazzo Ruspoli Lucian Freud (b1922): first major Italian showing of one of Britain's most distinguished living artists, giving a vivid idea of how the painter's style has evolved - from the meticulous, static, almost caricatural early portraits, to the baroque flourishes of the later, more relaxed self-portraits and nudes. The sense of unease evoked in much of his work goes back to his German roots and puts him squarely in the Grosz and Otto Dix tradition. Ends Nov 17. Daily

Villa Medici Matisse: Themes and Variations. Nearly 100 works, including paintings, sculpture, collages and tapestries, lent by the Henri Matisse Museum in Nice. The title reflects an attempt to show how Matisse explored his favourite themes (female nudes and faces, still-lifes of fruit and vegetables) in different techniques, from charcoal sketches to oil paintings and sculpture. The exhibition includes photographs and films of the artist at work. Ends Dec 29. Closed Mon

STOCKHOLM

Nationalmuseum Zorn and Sorolla: a presentation of one of Sweden's most beloved painters Anders Zorn (1860-1920) and his friend, the Spanish painter Joaquin Sorolla y Bastida (1863-1923). Ends Jan 6. Closed Mon

VIENNA

Künstlerhaus From Eisenstein to Tarkovsky: paintings and drawings by 11 film directors from Russia and Ukraine, showing how they used painting to express ideas which the Communists would have banned on film. Also From the Revolution to Perestroika: Soviet Art 1906-90 from the Ludwig Collection in Cologne. Ends Jan 6. Daily

WASHINGTON

Hirshhorn Museum and Sculpture Garden Saint Clair Cemin: first solo US exhibition by the Brazilian-born sculptor. Ends Jan 19. Also Alfredo Jaar, the Chilean-born artist whose work expresses social concerns via a fusion of sculpture and photography. Ends March 29. Daily

National Gallery of Art Albert Bierstadt: Art and Enterprise. The most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration, with work by artists as diverse as Leonardo da Vinci, Shen Zhou, Islamic scribes and bronzecasters of Benin. Ends Jan 12. Daily

ZURICH

Kunsthaus Visionary Switzerland: From Niklaus von Flüe to Martin Disler. An expression of the Swiss creative identity in art, including work by artists as diverse as Adolphe Appia, and the Giacomettis. Ends Jan 26.

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday November 8 1991

A new Third World order

THERE IS a grave risk in the preoccupation of the west's economic and financial policymakers with the collapse of the Soviet empire. At a time when many are vulnerable, too little attention is being paid to the world's poorer countries. The cold war has ended but the Third World remains frozen out.

The obsession of the Group of Seven industrialised countries with the Soviet Union is based on a belief that it cannot stand by and let a nuclear superpower slide into financial chaos. Yet its ability to influence Soviet events is limited.

Despite this, G7 finance ministers spent most of their time at last month's meetings of the International Monetary Fund and World Bank locked in talks over the Soviet payments crisis. The main forums for discussing developing country issues were thus ignored.

Governments in east Europe and the Soviet Union are not the only ones to have perceived the failure of central planning and the autarkic model of economic development. Those in many Third World countries have reached the same conclusion.

At least 30 developing countries outside east Europe, have recently significantly liberalised trade rules, either lowering tariffs or eliminating non-tariff barriers. Many are removing the government from commerce and relying more on markets; budgets have been brought under control and foreign investment liberalised.

In the long term, these changes will yield benefits in economic efficiency and hence in social well-being. In the shorter term, economic adjustment is hard medicine which creates social pressure on governments to reverse pro-market policies. In some countries, the failure of market-oriented policies would not only threaten governments, but also democratic institutions.

Market reforms

The western governments' rhetoric applauds market-oriented reform and free trade; their actions (or often their inaction) too often threaten their reversal. While basking in the glow of capitalism's victory in the east, the US and its allies are ignoring their vulnerable front to the south.

As many developing countries cut tariffs, the developed world imposes more trade restraints. The Uruguay Round of trade liberalisation is threatened almost exclusively by rich country squabbles. Protection is if anything growing.

While many Third World countries bring budget deficits under control, the world's richest country swallows up world savings to fuel what appears to be a permanent budget deficit. Some other rich countries are, in proportion to their size, still more guilty.

Increased aid

An increase in aid must be possible: $950bn was spent on arms in 1989, and some of the peace dividend should be used to alleviate suffering in the poorest countries. Neither is there sound reason further to delay implementation of the Trinidad Terms debt initiative to reduce by two-thirds the official debt of the poorest countries. Official debt relief should also be extended beyond Poland and Egypt to reforming middle-income countries for which heavy debts to foreign governments stand in the way of economic recovery.

There should also be a redoubling of economic reform efforts in the first world, where poor policy has widespread ripple effects. The hand of the IMF should be freed to make public its assessments of economic policy in its member countries; and to examine that policy not only in isolation but in the context of its effects on the world economy.

Most important of all, the west should have the vision to provide developing countries with continued incentives to further economic and trade reform, and to protect the reforms already made. This means, above all, allowing them to compete without encumbrance in the markets of the industrialised countries.

Without concessions from the rich countries to bring the Uruguay round to fruition, the "new world order" could turn out to be a disaster for the Third World. When President Bush meets European Community leaders to talk trade in The Hague tomorrow, this worrying prospect should be in the forefront of their thoughts.

A leaky raft of charters

CHARTERS FOR the public services have been mushrooming since the launch of the Citizen's Charter in July. There has been the taxpayer's charter, a Scottish justice charter, a charter for employers, the patient's charter and a parent's charter – the last two in English, Welsh and Scottish versions. Still to come are charters for local government, social security claimants and job-seekers – plus whatever charters Labour launches in a pre-election period.

There is a danger of charter fatigue. The success of Mr Major's Citizen's Charter depends on setting measureable targets for public services, monitoring progress and providing simple avenues of redress when service is not up to standard. Examination of the first tranche of charters suggests that there is still some distance to go before all three elements are achieved.

Seven of the 10 points in the patient's charter, for example, merely restate existing entitlements. Some are less than remarkable, such as the right to be registered with a GP and to be referred to a consultant acceptable to the patient. The three new rights include a guarantee that admission for treatment will occur no more than two years after a consultant puts a patient on a waiting list. But there is no time limit on the delay before the patient sees a consultant in the first place, which can be over six months in parts of the UK.

National 'standards'

In addition to patient rights, the charter also sets national "standards" – in effect performance targets. For example, arrivals in accident departments should receive an immediate assessment of need. But these standards cannot be enforced by the user; the matter can merely be raised by the secretary of state in his annual review of a health authority's performance. And a patient on the waiting list for more than two years has to write to the NHS chief executive for redress. The simpler option of allowing such patients to go privately and send the bill to the health authority has presumably been ruled out on cost grounds.

The parent's charter offers some similarly anodyne rights, such as to a prospectus setting out the aims of the school and the "right to a good education", which is so broad as to be meaningless. It is on stronger ground in demanding that schools publish performance tables, with comparable information on truancy rates and career destinations as well as examination results. While more sophisticated measures of performance may be needed to reward teachers who do a good job with unpromising children, parents have the right to know what a school achieves in the examinations which are so important to pupils' careers.

Worst features

More worrying are the proposals in the parent's charter for inspection of schools, a vital audit function if the quality of education is to be improved. The existing inspectorate is too small to raise inspection rates to acceptable levels, and it is arguable that the HMIs have not covered themselves in glory in their past record of monitoring standards. But the concept of independent teams of freelance inspectors, selected and paid by the schools, seems likely to reproduce the worst features of the corporate audit system.

Much better would be the sort of arrangement which already exists in local government where the Audit Commission appoints auditors and is responsible for monitoring their standards. These auditors have responsibilities to the council which pays their fees. But there are public service responsibilities to report on anything untoward – free of the threat of losing the audit.

Ministers protest that these charters are first attempts, and that they will be revised from time to time. But they should not succumb to electoral short-termism by rushing out half-baked charters before a general election. The public will not believe it, particularly without the funds necessary to ensure that reasonable standards can be guaranteed. More important, a promising initiative to change the culture of vital public services so that they are more user-oriented will have been fatally compromised at birth.

North-South UK economic disparities have grown over a decade despite the south's current plight, writes **Edward Balls**

Recession cannot close the divide

The north-south divide is one of the few realities of economic life in Britain that were more deeply entrenched at the end of Mrs Thatcher's premiership than at the beginning. The divide has appeared to go into reverse over the past year – but appearances can deceive. The frontiers of prosperity may be becoming blurred; but regional economic discrepancies remain as stubborn as ever.

In sharp contrast to 10 years ago, the south of England has borne the brunt of the recession. It hit service-sector and construction industries before it touched manufacturing industry, while exporters have almost entirely escaped its effects.

Unemployment has risen more slowly in the north over the past year, defined here as the six British regions with above-average unemployment in the 1980s: north, Yorkshire and Humberside, West Midlands, north-west, Wales and Scotland. Unemployment actually fell in Scotland in September. This trend has raised hopes that the north-south divide is becoming a thing of the past.

Yet while the recession began in the south and the service sector, it has spread to all regions. "Since the beginning of the year confidence in the north has taken a nasty knock," says Mr Bob Tilmouth, chief executive of the Tyne and Wear Chamber of Commerce.

Moreover, the fall in manufacturing production has outstripped the fall in output of private-sector service industries since the middle of 1990. Even in the year to July 1990, before the recession proper began, manufacturing output grew more slowly than private services output. The big difference between this recession and 1980-81 is not that the service sector has been hit harder than manufacturing but that services have suffered at all.

Ironically, the relative stagnation of growth in the service sector has brought temporary good fortune to the north

The regional pattern of the recession reflects the unwinding of a southern-centred speculative boom. The asset price inflation of the late 1980s was concentrated in the south, as is shown by the rise in southern house prices relative to the UK average. Consequently, the impact of high interest rates on the spending of debt-burdened consumers has fallen more on the southern regions where spending and borrowing have been greater.

Regional fortunes are reflected in property prices. House prices have fallen by 13 per cent in the south-east since 1989, but have risen by 18 per cent in the north-west.

But the recession will not offset the growth in the north-south divide that has occurred over the past decade. Even in their depressed state, house prices in the south are still higher than in the north – on average, they remain 113 per cent of the UK average this year, down from 145 per cent in 1988.

Nor will the recession restore the north's share of total UK gross domestic product to its 1979 levels. Its share in total UK GDP fell from 47.4 per cent in 1979 to 45.7 per cent in 1985, and to 45.3 per cent in 1989.

The recession will probably restore the north's relative position to its 1985 level. But the four regions which constitute the south will still have gained 1.5 percentage points from the north since 1979. Britain's regional income divide is too stable and deep-seated to be reversed by one recession.

Yet the dispersion of regional incomes is less severe than in other developed countries. Mr Robert Barro and Mr Xavier Sala-i-Martin, economists at Harvard University, have shown that regional incomes per head are more equal in Britain than in the US, France, Germany or Italy. Indeed, they conclude, "the magnitude of the dispersion between the north and the south of the UK is trivial relative to that between north and south Italy".[1]

But the British divide is unusual for two reasons: the regional pattern is stubborn and has tended to grow rather than narrow in recent decades. Only Italy has a similarly persistent regional income divide; but while southern Italy has been catching up with the north in every decade since the Second World War the British divide has grown wider. Income per head in the north of Britain was roughly equal to that of the south in 1950. By 1985, the north's income per head was 3 per cent below the British average, while the south's was 5 per cent higher.

The divide in large part reflects the long-standing decline of heavy manufacturing industry. The shift in demand away from manufacturing to service-sector employment accelerated in the 1980s, particularly in the 1980-81 recession. Manufacturing employment in Britain fell by 29 per cent between 1979 and June 1990, while service-sector employment grew by 17 per cent.

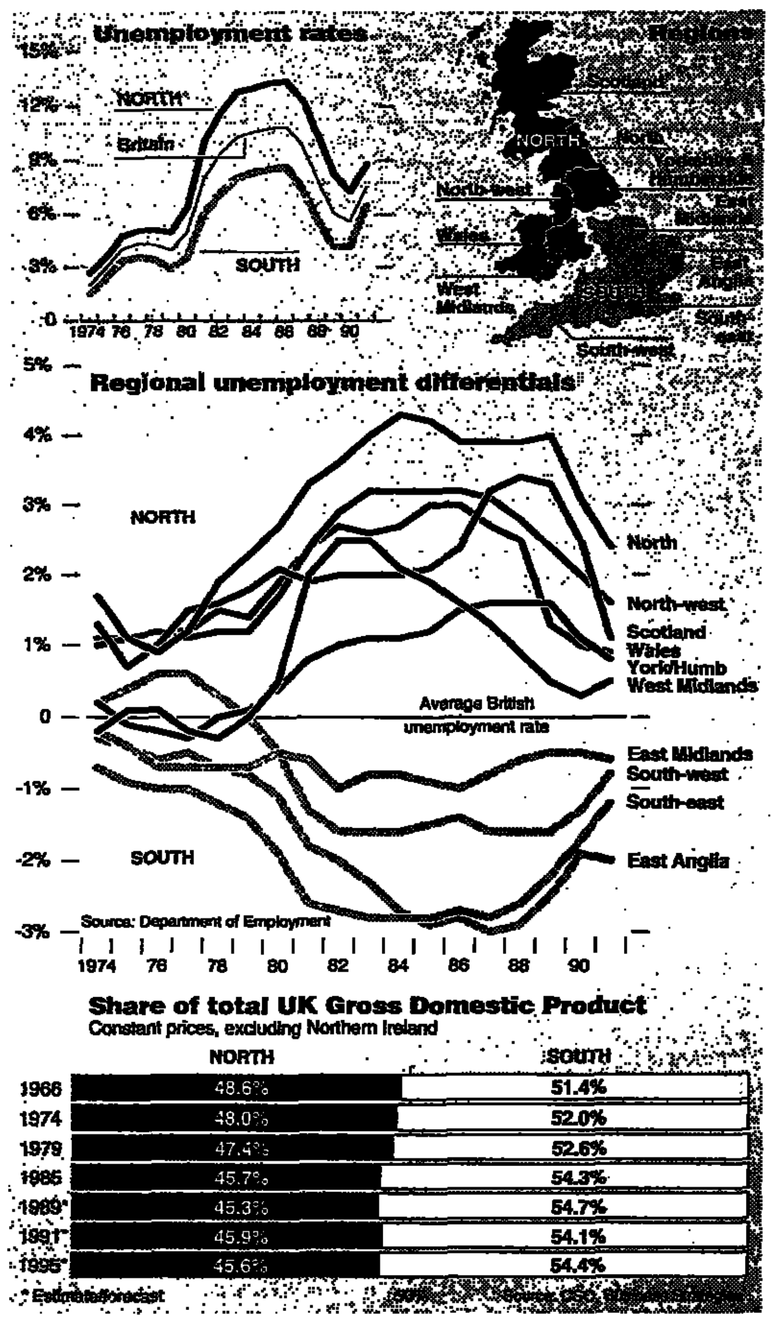
This structural change has affected the north more deeply than the south because of the importance of manufacturing to the region. Manufacturing accounted for 35.4 per cent of total employment in the north in 1979 compared with 27.5 per cent in the south. In metal manufacturing and chemicals – the hardest-hit industries, in which employment fell by 41 per cent between 1979 and 1989 – the north's share of employment was nearly twice that of the south. Its share in the most rapidly growing service industry – banking, insurance and finance – remains only half that of the south.

The north's disadvantage arises only in part because it has declining industries. Total employment grew 4.9 per cent in the south between 1979 and 1989 and fell by 8.5 per cent in the north. But 50 per cent of this difference in employment growth occurred because the more dynamic service and high-technology manufacturing industries grew more slowly in the north than in the south.[2]

Ironically, this relative stagnation in service-sector growth has brought temporary good fortune to the north. For service-sector employment appears to have grown too rapidly in the late 1980s in the south, leading to a regionally unbalanced recession.

Business leaders also believe the north has suffered less because the northern manufacturing economy is leaner and fitter than 10 years ago. "The whole fabric of our manufacturing base has been turned upside down and put right," says Mr Neil Etherington, the northern deputy regional director of the Confederation of British Industry.

Mr Tilmouth agrees. "The north-east region has been transformed in both self-confidence and ability. These days, there is a much stronger sense of a growing economy than there ever has been in the past."



Even so, the relative advantage of the south in service-sector employment growth and the continued decline of manufacturing employment is expected to widen the regional divide over the next decade. Business Strategies, a regional economic consultancy, forecasts slower economic growth in the north relative to the south over the next five years. The north's share in UK GDP is expected to drop to 45.6 per cent by 1995.

"The north-south generalisation hides an awful lot," says Mr Charles Burton, managing director of BSL. "In particular, the West Midlands and south Wales will benefit over the next few years as businesses continue to move out of the over-congested south-east." Mr Burton expects the west Midland's share of total UK GDP to rise by 1995 while the Welsh share is forecast to remain stable.

One result of the growing divide in the 1980s has been much higher unemployment in the north than in the south, as the chart shows. The reason is the collapse of manufacturing industry in the north in 1980-81.

By 1985 the regional spread of unemployment rates was wider than at any time since the 1930s. The difference in unemployment rates between the north and the south increased from 1.4 percentage points in 1974 to 6 percentage points in 1986. The corollary of this fall in the relative demand for labour and rise in unemployment in the north was a fall in wages relative to the south for both manual workers and non-manual workers.

Unemployment has risen faster in the south than in the north in the current recession. Yet the average north-south gap for the first nine months of 1991 was 2.3 percentage points in 1991, higher than at any time in the 1970s.

To some extent the north-south unemployment divide is also an over-simplification. Unemployment rates tend to be higher in urban than in rural areas. Unemployment remains high in inner London boroughs such as Hackney, Islington and Tower Hamlets – and lower than the national average in rural northern districts such as Macclesfield in the north-west and Harrogate, Yorkshire.

The concentration of high unemployment in the north is also a by-product of the decline in heavy manufacturing industry. This unemployment is largely concentrated among male, ex-manual workers. It is particularly high for workers with no educational qualifications, and among those aged 16-24, and over 45.

Among these groups joblessness was high in the late-1980s, even though demand for labour in the north had recovered to pre-1979 levels. By 1988, the level of vacancies in the north, and more importantly the level of vacancies for manual workers, was higher than in the late 1970s.

Yet the north's manual unemployment rate remained more than twice as high. Either the unemployed in the north were unwilling or unable to take the available jobs or employers were unwilling to hire the available unemployed. The answer is probably a combination of the two.

The manual jobs on offer were different from the jobs which disappeared in the 1980-81 recession. Among manual vacancies, those for skilled or craft workers never recovered after collapsing in the early 1980s. The available vacancies were predominantly for unskilled workers – mostly lower paid, part-time jobs in the service sector or possibly light manufacturing.

For many older, male, ex-heavy industrial manufacturing workers, it appears that the transition to light manufacturing or service employment was either not financially worthwhile or too difficult for them to make.

For the young, unskilled unemployed the problem is harder to understand. Many have never been in work. This long-term unemployment seems to have bred despair and crime. Crime rates have grown faster in the north than in the south in the 1980s, while drug abuse has also risen. According to the Central Statistical Office, the number of notified cases of drug abuse rose by 360 per cent in the north between 1981 and 1988 compared with 99.5 per cent in the south.

Britain remains scarred by the effects of the 1980-81 recession and by the unemployment it has left in its wake. But unemployment differentials are only one manifestation of the north-south divide. Its growth has been an important component of the many other economic changes that have characterised the last decade. There is an important regional dimension to the decline of manufacturing industry, the growth of service-sector employment and the widening of income and wage inequality.

The house price inflation and economic over-heating of the past few years also had an important regional dimension and explain, to the north's relief, the southern bias of the recession. The north-south divide remains an integral part of the British political and economic structure. It is not going away.

[1] *R Barro & X Sala-i-Martin: "Convergence across States and Regions", Brookings Papers on Economic Activity, 1:1991*
[2] *E Balls, L Katz & L Summers: "Britain Divided: Hysteresis and the Regional Dimension of Britain's Unemployment Problem", Harvard University 1991.*

OBSERVER

Dropping the co-pilot

■ It is hard to imagine GPA, the world's most successful aircraft leasing firm, without the reclusive founder Tony Ryan at the joystick. It isn't much easier either to imagine the company without Maurice Foley in the co-pilot's seat.

Hence the decision of Maurice Foley, the 51-year-old president, to bail out of his executive duties next year is bound to raise eyebrows, especially since it is unclear whether he will be replaced.

Ryan and Foley are an unlikely couple. GPA's undoubted success in an area which has been a scrapyard for many other companies has a lot to do with Ryan's gut instinct. His ability to read the market for new and second-hand aircraft correctly is legendary.

The other half of the partnership is the more cerebral one. Foley is the public face and voice of GPA, and his ability to explain the group's strategy has reassured the more nervous investors as one airline after another ran into financial flak. They made a good combination.

Foley will stay on as deputy chairman, but his departure from the executive ranks can hardly fail to generate doubts about the depth of GPA's management at a time when the company is thinking of tapping the financial markets.

Foxy

■ On top of the wrong type of snow and the wrong type of leaf, comes the wrong type of bunny. British Rail has now been accused of not just complacency but fox-like cunning over the mounting problem of rabbits breeding unchecked on railway land and raiding farm crops.

The charge is made by the trade paper Big Farm Weekly which claims BR is hedging a statutory duty to control rabbits by insisting that farmers adjoining railway territory can more easily fence rabbits out than BR can fence them in.

Although a farmer got £12,000 compensation in a recent case, the paper says, BR showed its cunning by declining to defend itself and making an out-of-court settlement, thereby not setting a precedent. Even so, farmers do well to keep good evidence of crop damage because claims can be made at any time up to six years later.

Wind power

■ Two of Britain's utility companies are coupling up to give a new meaning to the phrase "fundamental source of energy". They are East Midlands Electricity and Severn Trent Water whose plan is to harness waste gases released in the treatment of sewage.

Their new joint venture, called Biogas Generation, will use the methane produced in the process to generate electricity, also exploiting the heat output to make the sewage-treatment more efficient. It will start with two plants: one at Finham in Coventry with output of 1 megawatt, the other at Wanlip in Leicester with 1.3MW.

Royal Rozzers

■ Yet another nail has been hammered into the coffin of Argentine hopes eventually to reclaim sovereignty over the Falkland Islands in the South Atlantic. Britain's Queen Elizabeth is to honour the Falklands' police force with the title "Royal" as of January 1992, to mark the islands' Heritage Year.

With only some 2,000 citizens to watch over, the Royal Falkland Islands Police Force – current strength 14 full timers and four reservists – is hardly stretched. Its main activity is safeguarding the roads from drunk drivers, a serious hazard on the socially limited islands.

But although the title is likely to be seen by the British, current owners of the islands, as largely honorific, such matters are viewed rather differently in Buenos Aires, where status and snob-values reign supreme. A solemn, if muted, murmur of Argentine diplomatic disapproval is likely to drift towards Whitehall.

"I just bumped into the chancellor"

Missed chance

■ The sight of the US Senate blocking the reappointment of Comptroller of the Currency Bob Clarke for another five-year term raises an interesting thought. Perhaps the Bank of England should organise elections for the independent members of its board of banking supervision?

The board, which met 15 times last year, reviews all aspects of the central bank's work relating to its responsibilities under the 1987 Banking Act. This week the Bank reappointed Nigel Robson and Harry Taylor, two senior bankers in their mid-60s, for another five years apiece.

Taylor, an ex-president of Manufacturers Hanover, and Robson, who spent the bulk of his banking career at Arbuthnot Latham, may be well regarded by their peers. But the Bank has missed a golden opportunity to inject new blood into the board at a time when its supervisory role has come under criticism, particularly about its handling of the BCCI affair.

Courting

■ Things have changed since one of Liverpool barrister John Kay's colleagues was accused of improper advertising because he was wearing his gown inside-out, with his name tag showing.

Now the legal profession is less stuffy about such matters. Kay and his fellow barristers in the Exchange Chambers group on Merseyside are courting custom by staging the legal equivalent of celebrity seminars. The first, held this week, drew over 100 solicitors to hear Sir Johan Steyn, presiding judge on the northern circuit, talk about commercial law.

Mind you, the group's marketing effort receives much help from the efficiency of Liverpool's two-year-old commercial court in which Steyn, soon to move to the Court of Appeal, has had an important part. Merseyside waiting lists have in some cases been cut to a quarter of those in London, winning much work from the capital.

Canny

■ What is the difference between a kangaroo and a kangaroot?

The first an Australian marsupial. The second is a Scotsman locked in a lavatory.

New order forces the pace of change

Alan Cane and **Louise Kehoe** look at the shake-up in the world's personal computer industry

The goalposts in the world's $9bn personal computer business have shifted with a speed which has left the main players shaken and disorientated.

A grim certainty is now sinking in that the favourable conditions of the 1980s, in which the personal computer industry was born and flourished, will never return. It is forcing the leading companies to make strategic changes as quickly as corporate structure and culture will allow. For many, it may not be quick enough.

International Business Machines, the world's largest computer manufacturer and the market leader in personal computers, is setting the pace. Faced with a sharp decline in market share as Far Eastern suppliers and others cut into its industry leadership with high-quality copies of its desktop machines, "Big Blue" this week forged a pioneering, 10-year agreement with Intel, a leading semiconductor company. The deal is to create a complete microcomputer on a single silicon chip. With this move, IBM is clearly signalling its intention to own and control tomorrow's personal computer industry.

Intel's microprocessors are used in close to 90 per cent of personal computers. The new single-chip microcomputer will be based on the most advanced member of this range.

Increasingly, manufacturing a personal computer involves little more than assembling microprocessor and memory on printed circuit boards in a suitable case. Disk drives, keyboards and displays are bought as standard components. The microprocessor maker, therefore, not only controls the capabilities of the machine but has the largest claim on the profits from the system.

Through its deal with Intel, IBM is tapping into the only source of real profitability in personal computer hardware and ensuring that competitors will have to follow its lead – the cost of designing and manufacturing a competitive microprocessor of the complexity of the Intel device is likely to prove prohibitive for all but electronics companies with revenues of about $20bn a year.

IBM's latest initiative follows a remarkable bargain struck earlier this year with its arch rival Apple Computer which could give it leadership in the fast-growing workstation business, while helping Apple to a larger share of the corporate pc market.

Mr Aaron Goldberg, International Data Corporation's pc expert, sums up the alliance thus: "The Apple/IBM agreement is an excellent example of how the industry's internal power structure will undergo fundamental change. This elemental change will bankrupt at least 10 major companies."

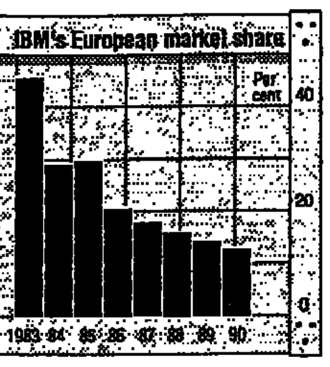
IBM, however, with total revenues of more than $60bn last year, is probably the only computer company with the financial resources and marketing muscle successfully to undertake such mould-breaking initiatives.

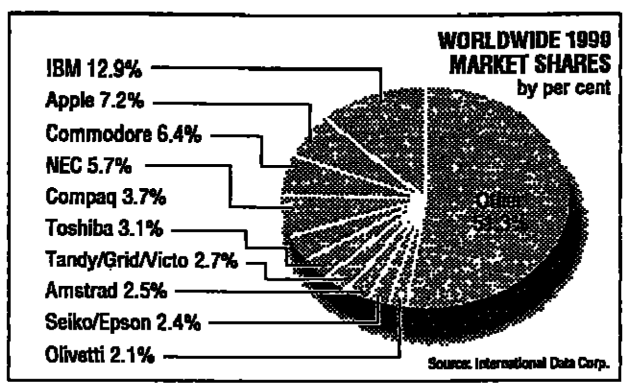
The state of the personal computer business is better demonstrated by the plight of other large players. Compaq, for example, the US personal computer company which epitomised meteoric growth in the 1980s, has been forced to make sweeping changes in virtually every aspect of its business including pricing, distribution and customer support. Its plans were made public yesterday at the end of two weeks in which it reported its first quarterly loss. It also announced the loss of almost 25 per cent of its share price, the dismissal of Mr Rod Canion, its founder, president and chief executive, and the resignation of five other top executives.

The reshaping of Compaq involves abandoning many principles on which the company built its success. It will no longer concentrate on the top end of the market, representing itself as a quality alternative to IBM, nor will it sell exclusively through dealers. Instead it will seek cheaper ways of distributing its products including mail order, a technique used successfully by companies such as Dell Computers which compete on price and quality of support alone.

That the pc industry is in trouble in not in question. Why it should be in such a predicament is another matter. The problems of the traditional computer industry have been well rehearsed. Large manufacturers' profitability has been destroyed by the falling cost of technology leading to increased competition and moves among customers to systems composed of standard components from different manufacturers. All this has made the industry's conventional large, expensive direct sales forces a hopelessly uneconomic way of distributing small, low-cost computers.

TOP TEN 1990 worldwide million shipments	
IBM	3.03
Apple	1.69
Commodore	1.51
NEC	1.33
Compaq	0.87
Toshiba	0.74
Tandy/Grid/Victo	0.64
Amstrad	0.59
Seiko/Epson	0.55
Olivetti	0.49





What has happened to cause today's hiatus? Three things:

- A sharp fall in growth.
- Dramatic price declines.
- Customer resistance.

The personal computer business is now essentially a commodity business and obeys the commercial rules governing items such as televisions or video-recorders. Where there are too many suppliers and too much undifferentiated product, there will inevitably be a shake-out. So it is proving.

Sales growth in the industry, which was sustained at an average annual rate of 20 per cent or so throughout the 1980s, has slowed abruptly because of the recession in the US, parts of Europe and Australasia. This has masked the fact, however, that the market is maturing rapidly and in many business sectors is close to saturation. The replacement market already represents 50 per cent of business across the board. By 1995 it will represent close to 80 per cent of all pc sales.

In the US, unit sales are up by perhaps 3 per cent this year while prices are falling at between 25 and 60 per cent a year. This pattern is being duplicated in Europe, suggesting the market is contracting in dollar terms. It is causing chaos in the distribution channels both in the US and Europe. No dealer can survive on the discount available from manufacturers. Average gross profit margins for dealers are coming down from more than 30 per cent to between 12 per cent and 15 per cent. They either have to sell in volume or add value through specialised software and services if they are to survive.

Prices are being cut savagely, because of the rapidly declining cost of technology and because of deep discounting to win market share.

This week alone, Toshiba of Japan announced price cuts of 30 per cent across its range in the UK; Compaq said it would cut 25 per cent off its notebook computers in the US; while Copam, a leading Taiwanese maker, said it would sell a top-of-the-line machine for under £2,000. A similar computer from IBM is listed at more than £8,000.

Of just as much significance is the decline in brand loyalty. Customers no longer believe they are buying anything extra in quality or service by purchasing an IBM or Compaq computer rather than a Copam or a Dell. They are buying on price. The move to a commodity market stocked with generic products which are difficult to distinguish is virtually complete.

What are the consequences for personal computer makers of the new order?

First, they will have to find ways of taking cost out of the manufacturing process. Asian manufacturers combining low labour costs with highly automated assembly have an advantage here, as the Taiwanese group Copam illustrates.

Second, they will have to seek more economic ways of distributing products – such as retail chains selling "own brand" pcs, mail order like Dell or computer superstores.

Third, they will have to seek new ways of differentiating their products from their competitors – through marketing if not technology.

Last month's big US personal computer industry show, Comdex, was marked by an air of desperation as makers attempted to persuade customers, to little avail, that there were genuine differences between their products. Performance no longer counts because everybody is using the same sets of silicon chips.

There are new technologies in the wings which offer some possibility of differentiation – pen-based computers, for example, or multimedia systems combining video, graphics, sound and processing in one unit. The speed of technical change is so rapid, however, that success in any of these technologies is unlikely to give any one company an advantage for long.

Industry leaders aim, however, to expand the pc market by giving the personal computer a much broader appeal. "In the long term there are real growth opportunities in personal computers," says Mr James Cannavino, head of IBM's personal computer business. "We have only begun to scratch the surface."

Yet to reach a wider audience, he adds: "The personal computer has to compete with the television. We have to make kids want to turn on the computer rather than picking up the TV remote control."

Joe Rogaly

Bye-bye by-elections

By-elections normally do not mean anything very much in British politics. They are bad predictors of what will happen in subsequent general elections. They do, however, provide a weekend's headlines. They stimulate chatter. They tell you how disenchanted voters felt on the day. They may make a local difference. But beyond that they are mere grist for psephological speculation.

This is in complete contrast to the United States, where this week's victory of Mr Harris Wofford in a senatorial by-election in Pennsylvania could change the course of US politics. It might encourage the Democrats to put up a credible candidate to run against President Bush next year. If Mr Bush falls, which is admittedly unlikely, Mr Wofford will get a chapter to himself in the history books.

The only recent little local election that has had a comparable effect in British politics took place in the House of Commons nearly a year ago, when the Conservative members of parliament threw out Mrs Margaret Thatcher and replaced her with Mr John Major. The FT's monthly average poll of polls, weighted for sample size, shows that this greatly improved the government's prospects, although not so far sufficiently to save it. During most of 1990 Labour had a double-figure lead over the Tories. It was 12.6 per cent in October 1990, but it fell to 4.8 per cent in November of that year. The Gulf war put the Major government in the lead, although that has dropped away. In October Labour's average lead was back to 4.2 per cent. That is the national picture, the one that counts.

Yet today's results at Langbaurgh, Kincardine & Deeside and Hemsworth are worth scrutinising for evidence of how well or badly the Conservative vote is holding up – and, in the case of Kincardine, for indications of the degree to which voters have been willing to switch parties to combine behind the Liberal Democrats and thus defeat the Tories. The latter result also tells us something about the mood in Scotland.

We knew the important answers to these questions before polling began yesterday. First, the Tories are unlikely to win seats in Scotland in the general election. They will be lucky to retain the ones they have. The Kincardine result makes no difference to that. Second, tactical voting is now the norm at by-elections, although not at general elections. Before Langbaurgh and Kincardine the Conservative party had lost all five of the seats it has had to defend since June 1987, two of them to the Liberal Democrats. Four of the results depended either entirely or in large part on ad hoc Lib-Lab combinations. Yet the Tories won in 1979, 1983 and 1987 precisely because tactical voting could not be worked out on a national scale.

The outcome of the election will depend in large measure on who votes Liberal Democrat

Thus the outcome of the next general election will depend in large measure on who votes Liberal Democrat. You can see this by plotting the changes in public mood. To lift a phrase from a previous editor of the FT, the most recent opinion polls have been going up and down like a yo-yo on heat. (The original reference was to the stock market, but it does as well for Gallup, Mori, NOP, Harris and co.)

This requires explanation. Since the early spring the Tories have remained steady at around 40 per cent. This is only three points or so below the level of support that put Mrs Thatcher in power and kept her there for 11 years. The yo-yo has risen and fallen as between the Liberal Democrats and Labour. To win next year Mr John Major needs a double dollop of good fortune. The level of Conservative support must rise – and the Liberal vote must also rise.

The arithmetic works if the extra support for the Liberals comes from Labour, as appears to have been the case during the past few months. In the 10 opinion polls published since the end of September the gap between the two leading parties has fluctuated between +7 per cent for Labour and +1 per cent for the Conservatives. The Conservative score has not moved much – between 39 per cent and 42 per cent. But Labour has oscillated between 36.9 per cent (perhaps a freak) and 46 per cent, while the Liberal Democrats have swung between 12 per cent and 17 per cent. Not surprisingly, the Conservatives regard Liberal Democrat advances at Labour's expense (although not at their own) as manna.

Wobbling? Sure I am wobbling. For most of the past four years the consistent assumption in this space has been that Labour could not win an overall majority. It requires too great a turnaround from the June 1987 result to achieve that. This still seems true. Where there is doubt is over the quite separate proposition that the Conservatives will retain an overall majority of sorts. The best that can be said about that today is that the game is still on. The score is unpredictable. If there is a hung parliament, circumstance would favour Labour.

Against that, the government is beginning to fight back quite well. It still has a chance of finessing the political fall-out from the intergovernmental conferences on European monetary, economic and political union at Maastricht. Polling scores indicate that some people are beginning to believe that the Tories will not privatise the health service. The chancellor says he will spend more of the taxpayers' money on the voters' favourites, like the NHS, rail transport, and education. He still has a budget up his sleeve; whatever the constraints on his overall fiscal stance, there are sure to be a few goodies in it. US interest rates are coming down; perhaps ours may follow.

By next May people may come to believe that there really are good times around the corner. Then everyone will have forgotten today's by-elections. We have a long winter to get through before we can discern whether or not Mr Neil Kinnock is to be prime minister next summer.

LETTERS

BT: getting the measure of Europe's biggest non-oil profit generator

From Mr Evan Davis.

Sir, Malcolm Argent (Letters, November 6) is justified in asserting that we should not judge whether BT earns excess profits by making naive rate of return comparisons across companies and across countries.

Some of the problems he raises are corrected in research from the London Business School which has recently been published in the Business Strategy Review.

This ranks world companies by their total operating profit, *but only after making a deduction for the total capital employed*, equivalent to the locally prevailing government bond rate times that capital.

The residual operating profit measured by the LBS could be considered a return over and above that which is necessary to reward investors for the opportunity cost of their capital. This measure can be supported as a good means of comparing firms with very different levels of capital intensity, and LBS produced results for about 2,000 firms using accounting data for as much of the 1980s as was available.

Under this measure, BT comes out as Europe's biggest non-oil generator of profits. If we scale profit by sales, it comes out as by far the most profitable company of its size in the world.

Of course there are "smaller" companies – most notably Glaxo – that outperform BT. If Oftel believes that BT has some grounds for earning a lot (such as exceptional efficiency or ownership of a patent an the world's best-selling drug) it may wish to sustain BT's returns.

Nevertheless, with profits of 17.9 per cent of sales on the LBS measure, BT ranks highly against both the US local telephone monopolies (eg: Southwestern Bell with 13 per cent) and the long distance carriers (eg: MCI with a mere 5.1 per cent). It also ranks highly against the UK overall average of 6.8 per cent and the US overall average of 5.8 per cent.

It is no wonder that American phone companies are taking an interest in the UK.

The LBS method is better than the traditional return to capital which hides the economic rents of capital intensive firms. While there are detailed criticisms of the method, BT is still highly profitable under every assumption that we could reasonably make. It also provides results which are more reliable than Mr Argent's preferred measure, retail prices.

The only piece of encouragement for BT in the LBS study is that it is outperformed by Cable and Wireless and Racal Telecom.

There is clearly room for argument over the conclusions to be drawn from all of this about telecommunications regulation in Hong Kong and the UK.

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Dr Chris Doyle.

Sir, Your account of BT's profitability (November 1), suggests that a tightening of regulation is the remedy for curbing BT's purported excessive profits. The choice of sample companies demonstrates that BT "is making profits which are considerably above the average", but no justification is put forward to explain the choice of companies. Malcolm Argent's letter highlighted this and suggested it might be more prudent to analyse BT's tariff structure and quality record.

To do this one could compare BT's tariffs with the kind of tariff structures that would be needed for companies similar to BT, like France Telecom and Deutsche Bundespost, to earn similar returns to BT. This approach, however, would also be flawed because it focuses only on private returns and omits returns to all of societies' resources. A more complete account requires a social cost-benefit analysis of BT's performance, taking account of arbitrary depreciation rules and taxation. Such a study would identify more satisfactorily the variables affecting BT's profits, especially if BT were to publish current cost accounts.

Advocating a "tightening of the price cap" or "forcing a one-off price cut" would undoubtedly affect private rates of return as conventionally measured but it may well have adverse consequences for entry and therefore on social rates of return in the long run. Nevertheless, your analysis demonstrates that policy prescriptions for regulating telecoms can only carry weight if they are derived from analysis making use of accurate accounting data and BT is in a position to publish such data.

Chris Doyle,
Department of
Applied Economics,
University of Cambridge

External trade responsibility

From Mr Charles Smedley.

Sir, Samuel Brittan (Economic Viewpoint, October 31) says that the powers and tasks of the centre of a "United Europe" should be limited to external trade and currency.

Given the performance of the EC as a whole in the Gatt negotiations and the protectionist policies and sentiments of most individual member countries, it would seem to me that external trade should not be dealt with at the centre, but by each sovereign state.

To be trapped in a protectionist bloc would be against Britain's, and other nations' interests.

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Salaries and quarterly bills

From Mr David Tonkins.

Sir, You report ("Labour threat to 'bosses' pay' in utilities", November 4) Mr Gordon Brown as demanding legislation to cut prices in gas, water, electricity and telecom utilities where boardroom salary increases are "unacceptable". I have no idea whether or not the recent round of salary increases to the various company chairmen are merited or not, but even if the entire board of each organisation gave their services for free, I doubt that there would be any significant reduction in my quarterly bills.

David Tonkins,
69 York Gardens,
Walton on Thames,
Surrey KT12 3EN

Chancellor's statement fails on pollution resource needs

From Mr Simon Hughes MP.

Sir, The Autumn Statement by the chancellor, Mr Norman Lamont, failed to pick up on an important aspect of government spending highlighted in your report of October 21 headed "Lack of resources could delay environment plans".

The article quoted Mr John Hobson, the environment department's director of pollution control, who had stated in an internal report MINIS 12 that the rapidly increasing pressures on his department meant that "substantial additional resources" would be needed in order to meet pollution abatement commitments.

This report was the subject of an angry riposte from Mr Michael Heseltine, the secretary of state (Letters, October 30), but the Autumn Statement yesterday failed to provide the substantial additional resources Mr Hobson had said were essential.

The government's sweet talk is proving to be merely humbug, and implementation of the Environmental Protection Act is being put under strain.

The Ministerial Information System (MINIS) introduced by Mr Heseltine himself in 1980 was designed, in his own words, to: "Set out...resource needs." It seems to have gone unheeded in this instance.

If any departmental budget needs long-term planning then it is surely the Environment Department. The concept of inter-generational equity – once endorsed by Mrs Thatcher after a "conversion" to environmental politics – demands that resources are committed not just with the next election in mind but with the next generation's needs and resources taken account of.

The government is failing to supply the foresight necessary for our natural environment.

Simon Hughes,
House of Commons,
Westminster,
London SW1A 0AA

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

FINANCIAL TIMES
Friday November 8 1991

Old communists display deep feelings on march through Moscow

Red Square shows scorn for Gorbachev, the westerner

By John Lloyd in Moscow

"WHAT Adolf did not do, Michael has done," said the poster, borne aloft on the march from Moscow's October Square to Red Square. Adolf was clear enough. But Michael? "Gorbachev," explained a marcher. "We call him Michael because he's a westerner now."

The demonstration, mounted yesterday by some 10,000 mainly old communist believers who wished to remember Lenin's name on the anniversary of the October revolution, was the first such celebration to display real feelings after decades of tanks and bureaucratic unanimity. But these feelings were a turbulent mixture – of resentment for a communism betrayed, of anger over price rises, of dislike of the west, and of anti-Semitism.

This last was quite evident on banners and in conversations. One alleged that the Jews were sterilising Russian women. Another caricatured Mr Gavril Popov, the mayor of Moscow, with a Star of David saying: "For me, bread and meat; for you, ration cards." Mr Popov, Greek by descent, has just announced rationing in Moscow by December.

Mr Sergei Chernyakhovsky, an official of the banned Moscow Communist Party, said he had seen the signs and regretted them, but "things are very difficult for the people, and this comes out".

The demonstration began at 9am on October Square with speeches and the singing of the Internationale. It moved on to Red Square where peopled gathered around the Lenin mausoleum. Elderly women handed over flowers to the militia, who put them on the ground. Only the foreign cameramen were a bother. As they scrambled for position, one plain clothes man yelled: "Hey! Where's your European civilisation?"

Mr Victor Antipov, the demonstration's organiser, a Moscow city deputy and a leader of the Communist Initiative Movement, hooked up to the official sound system and boomed his distaste for his country's rulers.

Communist supporters carry posters of Gorbachev and Lenin at the Red Square demonstration. The Gorbachev poster says: "You ruined the country, hell waits for you."

Again and again in the speeches, the parallel was made with the demonstration in 1941, when the soldiers taking part marched out of the square to throw themselves on the German army then closing in on Moscow. Now, the enemy was within the Kremlin walls.

Two elderly women were let in near the tomb, and sang a version of the Internationale beside the stone-faced guards at the door. A group of pensioners joined hands in a circle and sang the popular folk tune "Katusha".

As it ended, a group of Russian imperialists appeared and burnt a picture of President Mikhail Gorbachev. Six youths strode about the square in Tsarist uniforms, waving the Imperial Russian flag. It was a kind of impoverished high camp.

But down on the dripping streets, a wind and the wet snow whipped about the vast queues outside the bread shops, whose sullen resentment at everything may yet change the mood in the country from the absurd to the tragic.

Red carpet problem, Page 3
Russia seeks direct credit deals with west, Page 3

Gatt chief sees talks breakthrough

By William Dullforce in Geneva

A SUCCESSFUL conclusion to five years of talks on world trade reforms could come before the end of the year, according to Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade.

He said non-stop talks would be held in Geneva from next Monday so that the texts of agreements in all the areas under negotiation in Gatt's Uruguay Round could be ready by the end of this month.

A breakthrough in the long-running dispute between the US and the European Community over farms reforms is now seen as attainable as a series of top-level meetings gets under way.

President George Bush is due to meet Mr Jacques Delors, European Commission president, and European ministers at The Hague tomorrow. Yesterday Mr Edward Madigan, the US agriculture secretary, and Mr Ray MacSharry, the EC farm commissioner, met in Brussels.

The meetings could open the way for an agreement on world farm reforms in the Gatt round, which in turn would trigger a series of other trade-liberalising agreements.

The complex and shadowy trade negotiations had become an "exercise in real life", Mr Dunkel said. Matters were now being handled at the highest decision-making levels as governments realised the world economy, which was in urgent need of stimulation and greater growth, required the right signal from the Gatt round.

He said that radical reforms taking place in the Soviet Union, eastern Europe, Asia and South America relied on the adoption of basic Gatt rules ensuring that competition in trade was not distorted.

Mr Dunkel presented a 10-page assessment on the progress of talks to the round's governing trade negotiations committee, listing a multitude of problems that remained in the seven sectors covered by the talks. But, he said, most of the difficulties could be settled in five minutes, if the wish existed to do so.

A more cautious note was sounded by Mr El Ghali Benhima, Morocco's ambassador to Gatt, speaking in Geneva on behalf of the developing countries. Access to developed countries' markets for their farm, textile and tropical products was still limited. Negotiators still faced serious problems, and if these persisted the round would "incontestably be in danger", he said. Failure would gravely compromise the future of the world trading system and threaten investment and employment.

US and EC officials also tempered hopes that they were on the verge on a breakthrough on agriculture. A US official cautioned not to expect any substantial developments from the meeting between Mr Madigan and Mr MacSharry, while an EC official doubted whether President Bush's talks could settle the points still at stake.

Dunkel's hit list, Page 6
Editorial comment, Page 18

Union tells Renault workers to end strike

By William Dawkins in Paris

FRANCE'S Communist-led CGT trade union yesterday called on strikers at the main gearbox and engine plant of Renault, the French state-owned car maker, to return to work from this morning.

The surprise move came only hours after the day shift at the Cléon plant west of Paris voted narrowly against a management pay offer. Union officials are understood to have felt the vote from night shift workers would swing the final result the opposite way.

This brings a tentative peace to the dispute, which began at Cléon 22 days ago in pursuit of union demands to renegotiate a 2.5 per cent pay increase agreed in July. It has caused the loss of more than 70,000 cars at a time when Renault's profits are already in steep decline.

Mr Jacky Touzain, secretary of the Cléon section of the CGT, said: "This does not mean we are signing a peace contract with the management, but the battle will continue in other forms."

Renault's offer, made in an overnight meeting with the CGT and its ally, the CFDT, is for a monthly profit-sharing bonus of FFr224 ($38.88) plus a one-off FFr1,000 bonus and a reform of training and worker consultation.

Negotiations started with the help of a government mediator on Tuesday after police forced the unions to lift their blockade of the plant, so complying with the management's condition that talks could only start once freedom of access had been assured. Between a third and a half of Cléon's 5,600 workers have not been involved in the stoppage, but could not cross the pickets until Tuesday.

The Renault strike has been the latest and most dramatic in a series of labour disputes, including one involving public service workers, which has tested the government's negotiating powers to the full.

Delay to Channel tunnel express trains

By Richard Tomkins, Transport Correspondent

BRITISH and continental railway companies will have no passenger trains ready to run through the Channel tunnel when it opens in June 1993.

British Rail acknowledged yesterday that delivery of the Channel tunnel expresses intended to link London with Paris and Brussels was running months behind schedule.

It also confirmed that night trains between Britain and the continent would not be delivered until at least 1994 and that the daytime expresses planned to serve Britain's regions would be delayed until 1995.

The only trains using the tunnel when it opens will therefore be freight trains and a restricted number of Eurotunnel shuttle trains, carrying cars, lorries and foot passengers between Folkestone and Calais.

This means that railway passengers planning to travel between Britain and the continent will have to use ordinary trains to the coast and then cross the Channel either by one of Eurotunnel's shuttle trains or, as now, by ferry.

The financial effects on Eurotunnel will be limited because its contract with BR, SNCF of France and SNCB of Belgium obliges the railway companies to pay for 50 per cent of the tunnel's capacity whether they use it or not.

The effects on the railway companies, however, could be severe, because they will be paying for capacity while receiving no income.

TransManche Super Train Group, the consortium of manufacturers building the Channel tunnel expresses, will issue a statement today acknowledging that trains for the London-Paris and London-Brussels services will not be ready until autumn 1993.

It will speak of "unforeseeable difficulties" in adapting the Train à Grande Vitesse, on which the Channel tunnel expresses are based, to enable it to run on British, French and Belgian networks as well as through the tunnel.

The consortium comprises GEC Alsthom, the Anglo-French railway equipment supplier; BN of Belgium, part of the Canadian Bombardier group; Brush, part of Britain's Hawker Siddeley; and De Dietrich of France.

The delays are likely to lead to a bitter dispute between the consortium and the railway companies as to which is liable for the multi-million dollar losses which the railways seem likely to incur.

There is always the possibility that the opening of the tunnel will be delayed itself. Eurotunnel still expects it to open as scheduled on June 15, 1993, but prospective users are sceptical that track and signalling systems will be fully installed and tested by then.

Bush urges European allies to clarify role in Nato

Continued from Page 1

rial meetings and regular joint meetings of ambassadors and military representatives. The first meeting of the Co-operation Council at foreign minister level is due to be held in Brussels on December 20.

The declaration also calls for the strengthening of the 38-nation Conference on Security and Co-operation in Europe as an organ for promoting East-West co-operation.

A committee of senior officials will serve as a management body between ministerial sessions while the organisation's conflict-prevention and crisis management capabilities are to be improved.

The alliance's new "strategic concept", published yesterday, was notable mainly for the fact that all member states, including France, endorsed a strategy downgrading the use of nuclear weapons.

It stated that, following the radical changes in the security situation in Europe, Nato's ability to defuse a crisis through diplomacy and conventional defence had significantly improved.

"The circumstances in which any use of nuclear weapons might have to be contemplated by them [the member states] are therefore even more remote", the document said. "They can therefore significantly reduce their sub-strategic nuclear forces."

NatWest pledges backing for Maxwell companies

Continued from Page 1

well family was trying to top up the value of collateral by pledging other assets.

Banks were alarmed when Goldman Sachs started to sell MCC shares last week. One said: "If any bank starts to sell MCC shares, the consequences could be devastating. The banks recognise that and are behaving sensibly."

"If one banks sells shares, it will be difficult to prevent others from doing the same," said a banker.

The fall in MCC shares cut the company's market value from £783m to £479m. However, the MGN price rose from 77.5p to 106p, boosting its value by £101m to £428m.

Mr John Melbourn, NatWest's chief executive in charge of credit risk, said that Mr Kevin Maxwell and Mr Ian Maxwell – who became chairmen of MCC and MGN respectively when their father died on Tuesday – had "behaved magnificently especially in the tragic circumstances they find themselves in".

Total loans to the Maxwell family companies are understood to top £800m, out of the total £2.4bn of debt of all the Maxwell companies.

About 20 banks have loans to the private units, with NatWest having the greatest exposure.

Lloyds Bank's lending to the private companies is thought to be around £80m. Barclays' and Midland's exposure to these interests is around £50m each. However, these three clearing banks also have exposure to MGN and MCC.

The Japanese purchaser of Berlitz, based in Okayama in western Japan, already had a 20 per cent stake in the Berlitz Japanese subsidiary. MCC is also expected to announce soon that Paramount is to buy Que, Macmillan's main computer book publishing venture.

THE LEX COLUMN

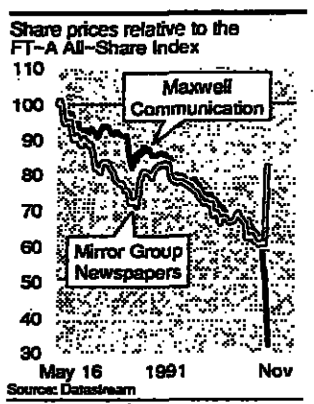
Farewell to the Max factor

The City's epitaph for Mr Robert Maxwell yesterday was brusque but on balance complimentary. The combined value of his two quoted companies, Maxwell Communication and Mirror Group Newspapers, fell by 18 per cent. The judgment was nothing if not even-handed: a 39 per cent fall in the value of MCC and a 37 per cent rise in that of MGN. It is a curious illustration of stock market fortunes that whereas MGN's value on flotation six months ago was a third of MCC's, it is now very nearly the same. Even so, the shares are worth 15 per cent less than Mr Maxwell sold them for.

At one point yesterday, the MGN price got close to the flotation figure of 125p, only to meet a wall of selling from disgruntled punters out to minimise their losses. If only for that reason, the closing price of 106p has a fairly solid feel to it. The right price for MCC remains more of a puzzle. Allowing for the sale of Berlitz, announced yesterday, its net debt is £1.25bn. Its stated asset values, being almost wholly intangible, are more or less meaningless. But on the rough assumption that the remaining businesses might make £90m at the operating level this year, they would have to fetch an average multiple of around 20 times interest-free net earnings to extinguish the debt. That figure seems to have been achieved on sales so far: but then, one assumes the best assets are going first.

The curious thing is that if the Maxwell empire were anything like a conventional business, the valuation of MCC would not have changed: the chairman is dead, long live the chairman. The reality may be that the banks were only being held at bay by one formidable individual. If so, the risk is all too obvious. If they take effective control, they will have even less concern for the interests of outside shareholders than did Mr Maxwell himself.

FT-SE Index: 2,538 (+3.8)



BTR/Hawker

Throughout BTR's bid for Hawker Siddeley, much attention has focused on the extraordinary weakness of the defence. However, even the embarrassing way in which Hawker mislaid its profit forecast in the gutter should not obscure the fact that BTR's record is not exactly polished either. From his premature outburst of acquisitiveness in March, to his controversial interim statement, to the full price of the initial offer for Hawker, to yesterday's increase, Mr Alan Jackson of BTR has looked like a man who is more easily ruffled than his Australian background suggests.

Most in the market believed BTR was already on the way to victory. A feeling that the increased offer was redundant may thus have been the main reason for the 5 per cent fall in BTR's share price yesterday. It is certainly hard to account for on other grounds. BTR has already managed to buy 7 per cent of Hawker for cash in the market, so the increase will in fact involve the issue of slightly fewer new shares than originally envisaged. Even at the higher overall price Hawker would scarcely dilute BTR earnings.

The company considers the increase a small price worth paying to maintain momentum for the bid and to secure extra flexibility to buy stock in the market. It is now scarcely conceivable that Hawker will remain independent. But given the generosity of BTR's original offer, the company risks looking like a soft touch, ready to stump up just because the institutions expect it to. That cannot be a comfortable position for a conglomerate that lives by acquisition. In the longer run, the direction of the BTR share price may depend precisely on how well this image problem is addressed.

BP

Given that the large US oil companies have just reported their worst quarterly results for four years – industry net income fell by 43 per cent – BP might perhaps feel that the market reacted rather ungraciously to its third quarter figures. Allowing for anomalies in the tax charge and a higher than expected interest charge, the operating performance emerges as reasonably robust. The chemicals division is still in the trough of the cycle, but losses there were more than offset by improved profits upstream. If the maintained dividend was uncovered, that was also the case at the mid-year. On the evidence so far, BP is generating enough cash to keep up its payments until new projects begin to make a return. Gearing is still uncomfortably high at around 75 per cent, but is expected to stabilise in the fourth quarter as asset disposals are completed.

Relative to the market, BP's shares are unmoved since a $3 per barrel increase in oil prices. All the same, the notion that they are therefore cheap should be treated with caution. If there is a bounce, it will surely be temporary; the company still requires a miracle to reverse its unexciting long-term outlook, let alone the poor long-term history of its shares.

GPA

Those in the City predicting a turbulent flight path for GPA will find little confirmation in yesterday's figures. To hold the net profit decline in the first half to a mere 12 per cent in the midst of one of the worst airline recessions in history is an impressive performance by any standards. Even better is the company's assurance that unlike most of its rivals it has not been panicked into slashing rates. Naturally it has been tougher finding customers of late, and the gap between delivery to GPA and take-up by the airline is getting shorter. But that is the sort of problem everyone faces at present.

If GPA's operating skills are not in question, the future of the airline leasing industry certainly is. GPA's projections for healthy traffic growth in the next few years may be credible, but optimism is necessary to justify the $10bn plus in capital commitments which the company has made between now and the end of the decade. That traffic growth, moreover, must be put in the context of lower real fares, which means that profits of the all important airline customers may not increase accordingly.

In the end, the most important commodity is confidence, which is conspicuously lacking at the moment. Exactly when the stock market float goes ahead remains to be seen. Certainly, in present conditions the 16 to 18 times earnings which its US rival ILFC managed in 1983 belongs to a different era.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	F	18	64
Amsterdam	R	13	55
Athens	[illegible]	21	68
Bahrain	S	28	82
Bangkok	F	34	93
Barcelona	S	13	55
Beirut	S	22	72
Belfast	C	10	50
Belgrade	F	9	48
Berlin	C	7	45
Biarritz	C	13	55
Bombay	S	32	90
Bordeaux	F	14	57
Boulogne	C	13	55
Brussels	R	11	52
Budapest	S	9	48
Buenos Aires	R	23	73
Cairo	S	26	79
Cape Town	C	19	66
Caracas	C	28	82
Casablanca	S	19	66
Chicago	F	-10	14
Cologne	R	11	52
Copenhagen	F	10	50
Corfu	R	15	59
Dallas	C	10	50
Dublin	R	12	54
Dubrovnik		-	-
Edinburgh	R	9	48
Faro	S	19	66
Florence	S	14	57
Frankfurt	R	7	45
Geneva	C	5	41
Gibraltar	S	19	66
Glasgow	R	9	48
Helsinki	C	5	41
Hong Kong	S	25	77
Innsbruck	C	3	37
Inverness	R	7	45
Islamabad	F	24	75
Istanbul	F	17	63
Jakarta	R	30	86
Jersey	R	12	54
Johannesburg	S	27	81
Lima	C	21	70
Lisbon	S	15	59
London	C	13	55
Los Angeles	S	16	61
Luxembourg	R	7	45
Madeira	F	[illegible]	[illegible]
Madrid	S	[illegible]	[illegible]
Majorca	[illegible]	[illegible]	[illegible]
Malaga	[illegible]	[illegible]	[illegible]
Malta	[illegible]	[illegible]	[illegible]
Manchester	R	12	54
Manila	C	[illegible]	[illegible]
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Montreal	C	[illegible]	[illegible]
Moscow	[illegible]	[illegible]	34
Munich	[illegible]	[illegible]	[illegible]
Nairobi	[illegible]	[illegible]	[illegible]
Naples	[illegible]	15	59
Nassau		-	-
New Delhi	S	[illegible]	[illegible]
New York	F	[illegible]	45
Nice	S	[illegible]	55
Nicosia	S	23	73
Oporto	S	15	59
Oslo	S	6	43
Paris	C	10	50
Peking	S	10	50
Prague	[illegible]	3	37
Reykjavik	F	1	34
Rhodes	F	21	70
Rio de Janeiro	F	24	75
Rome	S	17	63
Salzburg	C	5	41
San Francisco	S	14	57
Seoul	R	10	50
Singapore	F	27	81
Stockholm	R	5	41
Strasbourg	R	8	46
Sydney	S	28	82
Taipei	F	29	84
Tangier	S	20	68
Tel Aviv	S	23	73
Tenerife	F	23	73
Tokyo	S	18	64
Toronto	F	-3	27
Tunis	F	15	59
Valencia	S	15	59
Venice	S	11	52
Vienna	F	10	50
Warsaw	F	5	41
Washington	F	3	37
Zurich	C	4	39

Temperatures at midday yesterday. C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Friday November 8 1991

INSIDE

Akers hints at upturn in IBM profits

Mr John Akers, chairman of International Business Machines, yesterday provided the first clue of a recovery for the US computer group. "The worst is behind us," he said, "We believe this fourth quarter will the strongest for us for the year." Last month, IBM reported an 85 per cent plunge in the third quarter profits. **Page 23; Personal computers shake-up, Page 19**

Receivers for Turriff

Receivers were yesterday appointed to Turriff, the financially troubled UK construction and property group, after it failed to persuade banks to continue to support the company. It is the latest casualty of the speculative UK property boom of the late 1980s. **Page 27**

Salomon gets back to basics

Mr Warren Buffett (left), the new chairman of Salomon Brothers, attacked bonuses paid to senior staff of the former regime. This attempt to make a clean break with the past has meant that some aggressive and highly-paid stock traders are now counting their days in the firm. Patrick Harverson looks at the moves to get Salomon back to doing what it does best – bond trading and arbitrage. **Page 23**

Fiat tries to break new ground

Fiat's announcement this week of a three-way joint venture in the troubled construction equipment industry illustrates the growing need for co-operation in an industry that boasts a truly byzantine network of international marketing, distribution and ownership links. **Page 24**

London plans Big Bang 2

Next month, the London Stock Exchange will unveil its master strategy for the future development of its markets. The plan will be the biggest shake-up since Big Bang in 1986. One feature of it will be an attempt to enhance the SEAQ International system. **Page 26**

Gloom and doom in Asia

Warnings of doom – almost on a biblical scale – are contained in the first detailed survey of the impact of the 'greenhouse' effect on south-east Asia. The report concludes that countries must start exploring responses to these rapidly changing circumstances. **Page 28**

Pict looks for £12m

Pict Petroleum, the small UK oil exploration company, announced a £12m ($21m) rights issue to continue its search for oil both in the UK and overseas. The company also said it will be listed in full on the London Stock Exchange next week. **Page 27**

Havas shows 13% increase

Havas, the French communications group which recently forecast a fall in earnings for the year, posted a 13 per cent increase in revenue to FFr19bn ($3.4bn) for the first three quarters of 1991. **Page 24**

Leeds advances 11%

Leeds Permanent, the fifth largest building society, boosted pre-tax profits by 11 per to £190m ($336m) in the year to September 30 1991 from £171m despite record provisions against loan losses. **Page 27**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen	839	+	14
Colonia Konz	985	+	35
Philips Kom	580	+	14
Zanders	266.5	+	6.5
Falls			
Deckel	127	–	7
Hochtief	1142	–	23

NEW YORK ($)

Rises			
IBM	$99\frac{5}{8}$	+	3
Toys R Us	$28\frac{1}{4}$	+	$1\frac{1}{2}$
Limited	26	+	$2\frac{1}{4}$
Wal-Mart	$48\frac{1}{4}$	+	$1\frac{3}{8}$
Falls			
Berlitz	$18\frac{3}{4}$	–	$\frac{7}{8}$
Pfizer	68	–	$1\frac{5}{8}$

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Schneider	691	+	16
Spie Batig	430	+	17
Falls			
BIC	700	–	23
Cred Lyon	535	–	14
GTM-Entre	381.5	–	13.5
Imetal	251	–	6.9

TOKYO (Yen)

Rises			
Daiwa Heavy	1100	+	104
O-M	920	+	70
SNT	1320	+	200
Toyo Sanso	970	+	100
Falls			
Nippon Carbon	2090	–	210
Okuma	1080	–	100

LONDON (Pence)

Rises			
Auto Security	124	+	10
Brit Airways	204	+	$5\frac{1}{2}$
Farepak	242	+	12
Fenner	115	+	11
Hawker Sdd	739	+	11
Huntleigh Tech	290	+	25
ISA Intl	62	+	7
Kleen-E-Ze	58	+	5
Mirror Group	106	+	$28\frac{1}{2}$
Nat Home Loans	$8\frac{1}{2}$	+	$3\frac{1}{2}$
Reuters	955	+	22
SEET	41	+	6
Shiloh	109	+	8
Wellcome	789	+	17
Westbury	117	+	5
Falls			
Appleby W'ward	240	–	10
Attwoods	115	–	7
BTR	386	–	20
Fisons	436	–	19
King&Shaxson	113	–	12
Maxwell Comm	74	–	47
Pict Pet	97	–	9

Komatsu buys 10% stake in Italy's FAI

By Haig Simonian in Milan and Steven Butler in Tokyo

KOMATSU, the Japanese construction equipment company, has acquired a 10 per cent stake in FAI, Italy's second biggest construction equipment maker, in an effort to strengthen ties between the two companies.

The deal follows the disclosure of advanced talks between Fiat, Hitachi of Japan and Deere of the US aimed at establishing a new joint venture for earth-moving equipment in Europe, the Middle East and Africa.

Komatsu is the world's second-biggest maker of construction and earth-moving machinery, behind Caterpillar of the US. It is already active in European markets, and has a manufacturing presence in the north-east of England, as well as in Italy, Germany and Norway.

FAI, based near Verona in northern Italy, employs about 750 people and produces more than 4,000 units a year. The company, with sales of L190bn ($155m) in 1990, is privately owned and controlled by the founding Bettanin family.

FAI has produced Komatsu mini-hydraulic excavators under licence since the two companies signed a manufacturing and sales agreement in 1988. The machines, produced under both the Komatsu and FAI brands, are sold through both companies' sales networks. The Italian group also makes backhoe loaders for Komatsu for sale in Europe and Japan.

Komatsu said the equity link with FAI would give it a more solid production base for its mini-hydraulic excavators in Europe. Annual production under the agreement with FAI is expected to reach 2,000 units next year.

Although small, the latest deal highlights the continuing search for collaborative links and rationalisation among the world's construction equipment makers in the face of rising costs and decreasing demand due to recession.

World sales, excluding Japan, of the six main types of earth-moving machinery fell to 163,700 units at the end of 1989 against 195,300 a decade earlier.

No terms have been disclosed for the Komatsu-FAI link, which could be the first step towards a closer relationship between the two companies.

"The long-run conclusion would be that Komatsu will take a growing role in running the company", said Mr David Phillips, of the Corporate Intelligence Group.

FAI is said to be unusual among family-owned companies in its willingness to enter into joint ventures, as in its 1988 deal with Komatsu, and strong interest in markets outside Italy.

"This is a very effective way for a foreign company to gain a strong marketing presence in Italy, an exceptionally difficult market for foreign manufacturers," he added. In Japan, Komatsu said it would continue its efforts to form ties with European manufacturers.

Three-way venture, Page 24

BP warns of further squeeze on profits

By Deborah Hargreaves in London

BRITISH Petroleum, the UK-based international oil group, should see a squeeze in fourth quarter results in spite of an improvement of about $2 a barrel in the oil price, Mr David Simon, chief operating officer and deputy chairman, said yesterday.

The company's UK refining business and the chemicals division, which made its first loss for about 10 years in the third quarter, should continue to depress overall performance.

The company yesterday reported a 25 per cent increase in third quarter income to £129m ($221.9m), on a replacement cost basis which strips out the effects of oil stock gains and losses. But stock-holding losses of £544m saw a drop in historical cost profit of more than 80 per cent to £156m.

"The economic cycle is bearing down on us in a way it didn't at the half-year," Mr Simon said, "but there is an improvement at the operating level".

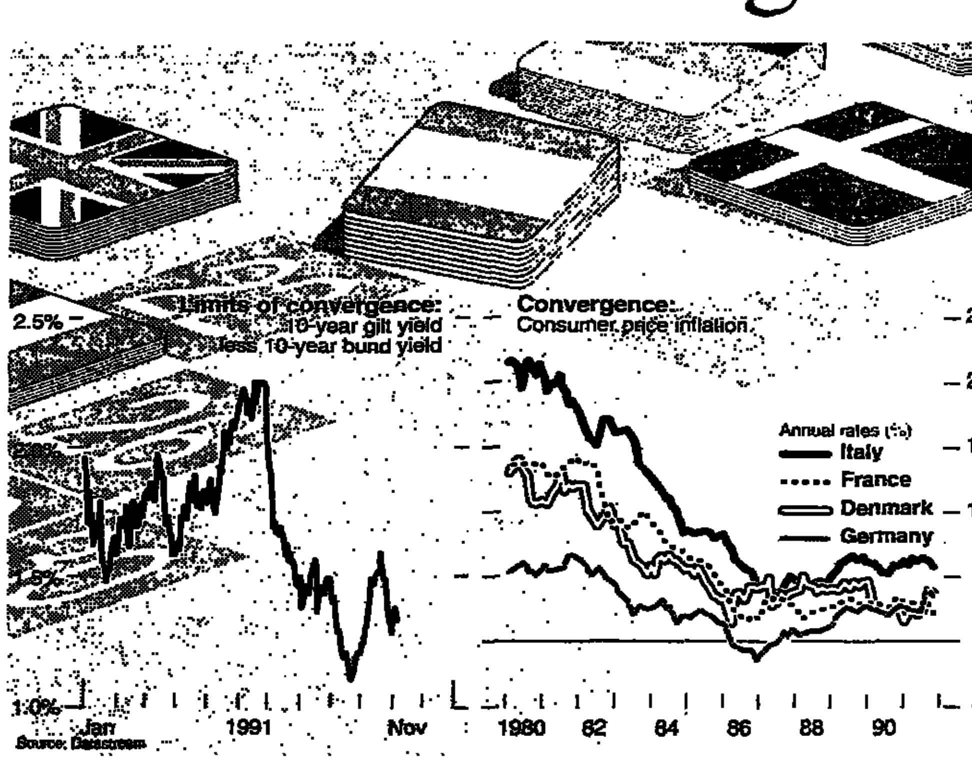
BP's net cash outflow in the first nine months of £1.2bn slightly unsettled the City of London. The debt was increased partly to fund the acquisition of Spain's Petromed.

The company's debt-to-equity ratio now stands at 75 per cent.

Details, Page 27;
Lex, Page 20

Simon London examines the latest fashion for European bond investors

Investors find the limit of convergence



Investment strategies based on the "convergence" of European bond markets have been the height of fashion this year. But, like all good fashions, the theory already has its detractors.

The idea of convergence is simple: with European exchange rates locked into the European monetary system, inflation and interest rates in all countries in the system should fall to the level of the strongest currency – currently the D-Mark.

As inflation and interest rates come down, bond yields will also fall, which means rising bond prices.

Hence believers in convergence have been buying Italian, Spanish, Portuguese and UK government bonds this year – the higher the yield, the better. Portugal is not even a member of the ERM, although it is expected to join next year.

But with Portuguese bond yields at 15 per cent earlier this year, even net of withholding tax, the scope for convergence is enormous.

If yields fall towards the 8 per cent level of Germany, holders of Portuguese bonds will make a handsome capital gain.

The search for converging bond markets has spread even beyond the current boundaries of the European Community. For example, the Swedish government bond market became a candidate for convergence when the krona was informally linked to the Ecu in May.

Last month saw the launch of the first Eurobond denominated in Icelandic kronur, anticipating the link of the currency to the Ecu next year.

"We were into convergence two years ago and we are still into it," said Mr John Heskett, director of Baring Asset Management, which has $7.5bn under management. "We have not lost confidence in the basic premise that there is value to be had in the higher-yielding European bond markets."

Hence the firm has built a portfolio of French, Spanish, Swedish and UK government bonds, and holdings of Ecu bonds.

However, some proponents of the theory are now questioning the limits of convergence, not least because it has been interrupted by periods of quite violent correction.

For example, when sterling joined the European exchange rate mechanism, UK government bonds were yielding 2.2 per cent more than German government bonds. By the end of September this yield differential had fallen to 1.2 per cent.

This classic example of bond market convergence was largely driven by overseas buyers of sterling bonds. In the first six months of the year, overseas investors bought £3.5bn ($6bn) of UK government bonds – at a time when UK institutional investors were net sellers of gilts.

However, since the end of September, convergence has been reversed. The yield spread between the two markets swung back to 1.8 per cent and now stands at 1.4 per cent. The pattern has been followed in Italian and Spanish government bonds.

"There have been setbacks, although we see this as a retrenchment rather than a fundamental change of direction," commented Mr Ian Donald, fund manager at Lazard Investors. "Even so, a lot of investors have seen good profits from convergence over the past years and have now gone back to basics."

There are specific reasons for the setback in each market. But there is a risk of a correction if bond market convergence proceeds faster than the convergence of the real economies of Europe.

"We've not lost faith in convergence in the longer term because it is based on a sound theory," commented Mr Mathew Williams, portfolio manager with Commercial Union, which has £14bn under management.

"But you need a good reason to be in some of the more esoteric markets because they suffer from illiquidity and higher dealing costs. There are fewer good reasons to be in them now than a year ago."

CU's holdings of Spanish and Italian bonds, built up during 1990, were sold three months ago.

The sentiment is echoed by Mr Mark Turner, managing director of Scudder, Stevens & Clark, the US investment firm with $2bn devoted to international bonds.

"The risk-reward ratio has started to look a little different now," he said. "Convergence in markets like France and Denmark is played out. Elsewhere political risk has to be taken into account – the gilts market is one example."

Scudder has liquidated holdings of French and Danish bonds, switching into the Scandinavian markets, where convergence with the "core" European economies is at an earlier stage, and the German bond market, where low prices are seen as a buying opportunity.

The long-term argument in favour of bond market convergence has not been disproved. When a single European currency is introduced, all European government bonds should, in theory, have roughly the same yield.

But investment managers have realised that the path towards a single European bond yield could be a long and rocky one; not an opportunity for a quick profit. The speed of convergence is dependent on some fragile political coalitions within EC countries and alliances between EC governments.

Moreover, governments and central bankers will not be displeased if investment strategies based on convergence are pursued with less vigour. Massive cross-border flows into high-yielding bond markets have been a cause for concern.

The Spanish authorities, for example, stopped any overseas borrowers from issuing peseta (matador) bonds last summer because the flow of money into the country pushed the peseta to the top of its permitted range within the ERM.

Mr Mario Rubio, governor of the Bank of Spain, halted all issues of matador bonds rather than cut interest rates simply to ease the pressure on the other European currencies.

Earlier this year the Portuguese government followed suit, halting overseas buying of most categories of government bonds to curb "inflows of speculative money" which were distorting the domestic economy.

This underlines that bond market convergence has been, to a degree, a self-fulfilling investment strategy: cross-border flows have pushed up bond prices, supported high-yielding currencies and created pressure for lower interest rates.

Once investors lose faith, the case for rapid convergence starts to look a little less clear cut.

Foley to quit executive role at GPA next year

By Roland Rudd in London

GUINNESS Peat Aviation, the world's largest aircraft leasing company, is to lose its president, Mr Maurice Foley, only months after the group hopes to go public next summer.

GPA, which yesterday announced a 12 per cent fall in after-tax profits to $123.4m from $140.3m, said Mr Foley would relinquish his executive role in October 1992. The group hopes to go public in June or July 1992.

Mr Foley will remain with the company in a non-executive role as joint deputy chairman with Sir John Harvey-Jones, the former chairman of ICI.

Mr Foley said: "I took a view some time ago that I only wanted to serve 10 years. I have not been running the company on a day-to-day basis." Mr Foley said it would be wrong to assume GPA would appoint a new president.

Analysts said Mr Foley's decision to step down in the run-up to the flotation was "unfortunate" and suggested the group should find a replacement.

GPA plans to give more publicity to Mr James King, chief executive of GPA Leasing, and Mr Colm Barrington, chief executive of GPA Capital, which sells the leasing income to investors.

Mr Foley said he was pleased with the company's ability to make 90 per cent of last year's profits in the worst environment the group had ever experienced.

"The industry has been very depressed this year. However, the evidence from the last quarter is that we are on line for a very good recovery," he said.

GPA, with aircraft manufacturers, forecasts an increase in world air traffic growth next year of between 5 and 9 per cent.

The group plans a bond issue to raise at least $250m in the US in December.

Its preliminary filing with the Securities and Exchange Commission shows that lease margins and revenue from aircraft sales have decreased.

The Form F-1 registration document said GPA's success will depend on its ability to lease or sell aircraft soon after delivery. It adds that the time between delivery and subsequent leasing has recently increased.

However, the group's advisers said SEC documents often painted a pessimistic picture of the business and the industry in which it operated.

GPA's earnings per share slipped to $1.05 from $1.18. The dividend is held at 20 cents.

Lex, Page 20

Reuters to begin Dealing 2000 trials

By Andrew Bolger

REUTERS Holdings, the financial information and news company, is about to start trials of the long-delayed second phase of Dealing 2000, its automated trading system for foreign exchange.

Reuters shares rose by 22p to 955p in London after the announcement of the tests by 30 banks in London and New York, which will begin in January.

Last year Reuters postponed the second phase of Dealing 2000 because of technical problems. The company yesterday declined to give a starting date for the system, which enables foreign exchange traders to complete transactions on-screen. However, it said if live trials went well, the launch could follow within weeks.

Analysts believe the success of Dealing 2000 could be crucial for the growth of Reuters, which has been curbed by the retrenchment sweeping banks and brokers in the world's financial centres.

The group will initially charge $25 for each transaction on Dealing 2000 on top of its traditional rental income.

Reuters also hopes to generate revenue from Globex, which will provide screen-based trading of futures and options.

Globex is being created jointly by Reuters with the Chicago Board of Trade and the Chicago Mercantile Exchange and it will also begin trials in January, with a projected but unconfirmed launch next summer.

Reuters also announced a management reorganisation, which will increase the number of area units responsible for generating revenue and profits from three to five. Previously the company was divided between Europe, America and Asia, based on the main time zones. From January 1, Europe will be split into three areas – the UK and Ireland; continental Europe; and the Middle East with Africa.

The group, which last year shed 300 jobs, said there would be few job losses as a direct result of this reorganisation. The workforce stands at 10,600. Reuters believes it can run its present business with fewer than 10,000 people, but has no timetable for that target.

Mr David Ure, 44, currently director in charge of Europe, the Middle East and Africa, will be in charge of marketing and technical policy worldwide. Mr Andre Villeneuve, 45, currently in charge of Asia and the Americas, becomes responsible for all geographic areas.

Nymex plans launch, Page 28

THE MAXWELL EMPIRE

The businesses and assets are a personal expression of the newspaper tycoon's interests and energies

Public interest in repayment of private debt

THE MOST pressing financial questions in the Maxwell empire lie in the private side, which has net debt of about £750m, in addition to the £1.7bn in the publicly-listed Maxwell Communication Corporation and Mirror Group Newspapers

The problem in judging which private businesses will be sold, and how much they might fetch is that they were such a personal expression of Mr Maxwell's interests and energy – from football to off-shore finance to newspapers in Eastern Europe and Kenya.

The most valuable assets within the private side are the 51 per cent stake in MGN, worth £216m yesterday, and the 68 per cent stake owned by the Maxwell family, the Maxwell Foundation and Maxwell companies in MCC, worth £325m.

In particular, the past few days have seen City speculation about whether the controlling stake in the MGN would be sold off to pay down private company debt. Mr Ian Maxwell, now chairman of MGN, said yesterday: "We are not going to be taken over or sold off."

After MGN and MCC, the most valuable business is AGB International, the market research business which Mr Robert Maxwell bought for £134m in September 1988. Best known for its measurement of European television audiences, AGB holds the main British Audience Research Bureau contract for UK television audience sampling.

AGB's US operation, NFO Research, was sold last month to a management buy-out for £24.6m. AGB's Asian businesses were also sold recently for an undisclosed sum.

AGB is a subsidiary of Robert Maxwell Group, the private company which is also the parent of MGN. AGB showed a £2m operating loss, before about £10m of rationalisation costs in its accounts, for the second half of 1990. The loss followed a £24m operating profit for the previous 18 months, on turnover of £207m.

Prospective buyers might include other publishers, although the need for perceived impartiality in AGB's data rules out many candidates.

A more difficult strategic question may be the future of the overseas newspapers investments, many collected recently. They were a source of great pleasure to Mr Maxwell, but not so far a source of great profits.

The greatest risk – and the greatest potential value – lies in the New York Daily News which Mr Maxwell saved from the brink of closure in March this year.

He was paid $60m by The Tribune Company, the Chicago-based publisher, to take the paper off its hands, after a stalemate between Tribune and the newspaper's unions had more than halved circulation to less than 500,000.

Robert Maxwell Group is believed to have spent about $80m – a net $20m investment – in restructuring and in the job cuts agreed with the unions. But future cash outflow is expected to be far less and the Daily News' management intends it to generate cash in 1992. Circulation is now back to 800,000.

Kevin (left) and Ian, the sons faced with having to sell parts of the family's private business interests

Until the dust settles from the Maxwell assault on the Daily News' cost structure, and a clear monthly positive cashflow can be forecast, potential buyers might be scarce, particularly as the paper was so recently facing closure.

However if the Maxwell family have hopes of doing for the paper's profits what Mr Robert Maxwell did for the MGN, they might well not want to sell it.

Similarly the Maxwell empire's newspapers in Israel, Germany, and Hungary could be much more valuable a few years from now.

In Israel, the Maxwell companies own 82 per cent of the Ma'ariv-Modiin publishing house which publishes Ma'ariv, a daily newspaper with a circulation of about 155,000.

In Hungary, they own 50.1 per cent and have management control of Magyar Hirlap and Esti Hirlap, daily morning and evening newspapers with circulations of 80,000 and 90,000.

Neither Israel nor Hungary are expected to be profitable until next year, but with majority stakes, the Maxwell interests have access to their cashflow if that happens.

The newspaper concern that will continue to demand injections of cash is the 50:50 joint venture with Grüner & Jahr, the German media concern. The venture publishes the Berliner Zeitung, a daily paper to about 300,000 Berliners, and seven magazines within eastern Germany.

The commercial potential of this collection, although hard to estimate, is likely to be greater than that of The European, the newspaper Mr Maxwell created to express his passion for Europe.

Mr Ian Maxwell, now chairman and editor-in-chief, has said that making the newspaper into a success would be a fitting memorial to his father's vision. It had an audited circulation of 226,000 in the second half of 1990.

Making losses recently, and a small drain on Robert Maxwell Group's cashflow, the paper is expected by its executives to start generating a small amount of net cash during 1992.

There are also a number of aviation assets. In December 1990 Robert Maxwell Group had 72 per cent of British International Helicopters, a helicopter operation supplying the North Sea oil industry.

The helicopter fleet, which cost £47.6m, had a book value of £18.7m at December 1990 and consisted of five Aerospatiale, 19 Sikorsky and three Westland helicopters. BIH made an operating profit of £600,000 in 1990. Société Générale, the French bank, had a mortgage against at least some of these assets in July 1990.

VIP Marine & Aviation, a subsidiary of Headington Group, another private Maxwell holding company, showed in its accounts £3.6m of aircraft assets in July 1989, and the purchase of £13.4m of aircraft assets in the following year. Société Générale had a mortgage dating back to 1987 against a Gulfstream II aircraft.

The accounts also showed assets of £9.5m in a motor yacht or yachts, only slightly depreciated, and a yacht berth costing £200,000. It is not clear whether the yacht was the Lady Ghislaine, where Robert Maxwell died.

Bronwen Maddox

US purchases mortgage MCC's future

THE SHAPE and future problems of Maxwell Communication Corporation were set in concrete in a single week almost exactly three years ago.

In a double bound Mr Robert Maxwell leapt over all the barriers that had been thwarting his ambitions to become a major publisher in the US. On October 30 1988 he agreed to pay Dun & Bradstreet $750m (£436m) for the Official Airline Guide and by November 4 he acquired Macmillan, the US publisher, for more than $2.6bn.

Mr Maxwell could scarcely contain his glee. "The market is stunned," he said before going on to declare himself, improbably, "as light as the wind".

The talk of lightness was Maxwell's colourful way of dressing up necessity in strategic clothes. To pay for OAG and Macmillan he was taking on some $3bn of debt and selling his printing interests to become a pure publisher.

Many convolutions of policy and strategy later Mr Kevin Maxwell, who went to the US to run Macmillan and who is now chairman of Maxwell Communication Corporation following his fathers death, is having to wrestle with the events of that wild week of spending three years ago.

Over the past months, according to rumours in the marketplace, large chunks of MCC have been potentially on the market to anyone who would pay the right price as the debt pressure, particularly in the private sections of the Maxwell empire, intensified.

Three small deals have already been done and the company hopes that there are only two more disposals to go. The first potential deal was confirmed yesterday with the signing of a letter of intent with Fukutake Publishing, Japan's largest educational publisher, for the sale of MCC's shares in Berlitz International, the language training and travel publishing company.

A second deal which is close to fruition is the sale of Que, Macmillan's computer book publishing venture, to Paramount in a deal estimated to be worth $150m.

Mr Kevin Maxwell is clearly trying to draw a line under the disposals and stop the destabilising process of hawking half the company round the world.

But analysts think the disposals might have to continue.

Recent asset sales will have raised about $625m but MCC faces a $750m loan payment in October 1992, and a further $1.26bn payment in October 1994.

The trading performance of the remaining businesses, such as Macmillan, might be strong enough to carry the debt. "There are a lot of good businesses there but they just paid far too much for them," Mr Neil Blackley, media analyst at stockbrokers James Capel said yesterday.

As the MCC stock price plunged yesterday to 74p from its 121p suspension price of Tuesday, he feared that the 'For Sale' sign might have to go up outside other businesses.

In the year to March 1991 MCC had pre-tax profits of £145.5m, compared with £172.3m, on turnover down from £1.24bn to £996.9m.

Information services and electronic publishing generated sales of £391.7m and operating profits of £84.5m. Educational publishing had operating profits of £28.9m on sales of £233m, language tuition £27.7m on sales of £153.9m and general and consumer publishing £23.8m on £311m sales.

Mr Kevin Maxwell is having to wrestle with the events of that wild week of spending three years ago

MCC issued a statement yesterday emphasising that its portfolio of "major international publishing and information services businesses" were among the leaders in their fields and that the board viewed their prospects "with great confidence".

There was more than a hint yesterday of a further change of policy at MCC. In July it announced it was planning to demerge its US interests as the best way of enhancing shareholder value. Yesterday the company admitted that as a result of the planned disposals "the proposals regarding the demerger of the group's US operations are now less likely to proceed".

Raymond Snoddy

Foundation earmarks many for inheritance

THE MAXWELL children may not inherit the earth, due to their father's desire for them to make their own various ways in the world. But a sizeable portion of the earth's population has been targeted as potential beneficiaries of the Maxwell millions under the expansive guidelines of the Maxwell Foundation, the Liechtenstein-based charitable organisation.

The Foundation's five main charitable causes reflect the varied interests of its late founder, as well as his seemingly boundless ambitions:

- The support of research into cancer, diseases of the heart, brain and nervous system, and Aids;
- Financial aid to "the people of Israel, Jews and Arabs, in order to contribute to lasting peace in that area";
- The encouragement of capable young entrepreneurs throughout the world wishing to set up their own media, communications or information businesses, and the financing of forums and prizes for young entrepreneurs;
- The improvement of education, the avoidance of conflicts between nations and the elimination of racial hatred:
- The support of charitable institutions in Liechtenstein.

Established in Vaduz in 1970 as the Swico Foundation, it was known as the Pergamon Holding Foundation and the Pergamon Foundation before assuming its present name.

A Liechtenstein law preventing such foundations from being formed for commercial interests did little to stop persistent speculation over the years about the Foundation's role in possibly disguising the ultimate owners of elements of the Maxwell empire.

The principality's carefully cultivated reputation of legal and business discretion only added to the Foundation's, and Mr Maxwell's mystique.

The so-called "Liechtenstein card" was played by a number of companies targeted for possible takeover by Mr Maxwell, including Extel and HBJ, the US publisher, both in 1987.

Mr Maxwell later told Mr Joe Haines, his authorised biographer, that "there was no mystery" about the Foundation. "All I helped to create belongs to the Pergamon Foundation which is going to give it all away."

Despite its global brief, the Foundation has been particularly active in Israel in recent years as Mr Maxwell's interests in that country expanded.

Robert Corzine

Typical Cap'n Bob to the last

PIECING TOGETHER Mr Robert Maxwell's last few days alive involves picking through a welter of theory and suspicion which surrounds his death on Tuesday morning. What emerges is a picture of Cap'n Bob at his normal, blustering best, though burdened by what he thought was a bad chest cold.

On Saturday he took himself off on a tour of Funchal in Madeira – a happy, private adventure – but by Monday night was complaining loudly to the crew of his motor yacht in Tenerife for not having any *langostinos* on board for dinner.

Mr Maxwell had been under great pressure in the last weeks of his life, especially following renewed allegations that his relations with Israel may have extended to assisting in that country's efforts to acquire nuclear arms.

Mr Keith Hazell, the British consul in Santa Cruz, said after a two hour visit on the yacht that the Maxwell family had told him that the publisher had been suffering from an acute pulmonary oedema.

This is a massive build-up of fluid on the lungs which doctors say can develop quickly and which puts great pressure on both heart and lungs. (Mr Maxwell only had one functioning lung).

But Mr Maxwell seems to have thought he had a cold. After completing some business affairs in the UK late last week he flew to Gibraltar to set out for a cruise, alone, off the north-eastern Atlantic islands of Madeira and the Canaries. He left Gibraltar on Friday evening on his yacht the Lady Ghislaine and intended to fly home from Tenerife on Tuesday morning, hoping the sea air would do him good.

The extravagance of the voyage seems to be typical of a man who enjoyed his riches. A Gulfstream business jet which flew him to Gibraltar then jumped ahead of the yacht to Funchal, in case he felt like getting off in Madeira.

There is little indication that Mr Maxwell sensed the seriousness of his condition. At Funchal he swam off the boat – thus worsening the pressure on his lungs – and seemed to take pleasure in touring the town as a relative unknown while his expensive toys awaited his bidding. He popped into a local bar for a few beers and told an enquiring local reporter he was on holiday.

By the end of the long rush to Tenerife, it is evident that his condition had begun to eat away at his good humour. In Santa Cruz harbour on Monday night, he was overheard shouting at the crew over the lack of *langostinos*. He then stormed off the boat into a taxi and was taken to the luxury Mencey hotel in the town.

There was no *langostino* there either, and he ate hake with clams and mushrooms along with three quick beers. During this meal, managers at the hotel say he appeared distracted and agitated. He tried and failed to speak to the boat on a two-way radio and then forgot his jacket on the way out at about 9.30pm. They say he was struggling for breath as he tried to put it on over his large frame.

Mr Maxwell had to meet his aircraft in the south of Tenerife the following morning and while Mr Rankin told harbour authorities in Santa Cruz he would sail directly south, he appears to have been overruled and told to sail around Gran Canaria.

No one, it seems, will ever know exactly how he died. The only official description of events is a deposition from Mr Angus Rankin, the yacht's captain, still lying yesterday on the desk of Lt Juan Montero Gonzalez, chief of the small maritime authority office in Los Cristianos in southern Tenerife, the closest harbour to the waiting Gulfstream.

According to this, the boat arrived off Los Cristianos at 9.45am on Tuesday. Mr Maxwell had last been seen when the boat was five miles off the south coast of Gran Canaria at 4.25am. Some 20 minutes later he had rung the bridge to ask for the air conditioning in his cabin to be turned off. The deposition said the crew tried to wake their boss at 11.10am to prepare him to leave the boat. A crewman finally came ashore to report him missing at 12.30pm.

But like many versions of the story, this one seems flawed. Employees of a local ferry service said yesterday they saw the Lady Ghislaine moored in Los Cristianos bay at 7.00am when they arrived for work and that one tender from the boat had come ashore at about 9.30am. Copies of the ship's log are to be handed to the British consul for transmission to the UK.

But that does not necessarily mean anyone is hiding anything.

The fact that Mr Maxwell was found floating naked in the water suggests he had left his cabin in the early hours of the morning desperate to find somewhere comfortable to breathe after failing to get any relief from his air conditioning. The yacht's railings are low and he could easily have fallen forward in collapse and toppled into the smooth, cool Atlantic.

- The family of Mr Robert Maxwell yesterday arranged to have his remains flown to Israel for burial, the British consulate said.

The preliminary report by Spanish coroners found that Mr Maxwell died of natural causes and fell off his yacht on Tuesday. But there were conflicting reports over whether Mr Maxwell's family accepted the finding.

Mr Maxwell's widow, Elizabeth, daughter Ghislaine and son Philip were expected to accompany the body to Jerusalem aboard a chartered aircraft. The funeral is reportedly set for Sunday afternoon in the Jewish cemetery on the Mount of Olives in Jerusalem.

Peter Bruce

Accident insurance may be invalid, warns Lloyd's

CLAIMS UNDER a £20m personal accident insurance policy taken out on behalf of Mr Robert Maxwell by the Mirror Newspaper Group may not be valid, according to a leading underwriter at the Lloyd's of London insurance market.

"If he died from a heart attack there will be no claim," said a leading executive at the Lloyd's insurance market in London.

The policy, which covers accidental death, would come into effect if it were found that Mr Maxwell had met his death by drowning or another accident.

Willis Corroon, the insurance and reinsurance brokers, placed the policy in London. Lloyd's syndicates, led by non-marine syndicate 782, wrote £11.5m of the cover, with London companies writing the remaining £8.5m.

If the claim were paid it would be one of the biggest ever to hit the personal accident market in London and would trigger a number of reinsurance policies.

Richard Lapper

Hardly a ripple as the news reaches Gibraltar

GIBRALTAR has become an important piece in the complex jigsaw of the Maxwell business empire but Mr Robert Maxwell's financial activities have scarcely caused a ripple in the British colony, writes Jimmy Burns in Gibraltar.

Yesterday the local Gibraltar Chronicle newspaper led with the front page headline "Ooh, aren't the apes friendly." – a quote from comedian Frankie Howerd who is in town to do a television show.

A report that Mr Maxwell had used "Gibraltar companies for many of his transactions" was contained in one paragraph on an inside page.

Yet shortly before Mr Maxwell floated Mirror Group Newspapers in May, his family's holding companies were reshuffled. A majority interest in, but not control, of Headington Investments, the main holding company, was given to tiers of Gibraltar-registered companies and trusts, largely supplanting Liechtenstein trusts.

The address of some of the Gibraltar companies is that of the JA Hassan Partnership, the prominent local law firm that set up and runs them. The firm's four floors of offices with their wall-to-wall red carpets and leather furniture, looks like a scene from LA Law.

The offices contrast with the outside seediness of Gibraltar's streets but they are a reminder that there is a lot of money which has been made, and continues to be made, in the financial sector.

Sir Joshua Hassan, a former Prime Minister of Gibraltar, is less an active partner in the firm than a figurehead. Although he is known to take in personal friends and political allies as clients, there is no evidence to suggest that these included Mr Maxwell. Although Captain Bob appears to have been naturally drawn to a traditionally Jewish firm.

The understated driving force at Hassan partners and a key figure in the Maxwell trusts is Mr James Levy.

Mr Levy, Sir Joshua's nephew, advised on the setting up of Barlow Clowes International, the off-shore arm of the investment group which collapsed in 1988 with losses of more than £150m.

He was charged in October 1989 with two counts of conspiring with others to produce or make use of false or misleading documents, and with fraudulent trading contrary to the 1985 Companies Act.

Hassan put its reputation squarely behind Mr Levy by mounting a strong public defence of him. It was rewarded when all the charges were dropped last year.

Mr Levy, a slight, intense man in his early 40s, has established a personal reputation as the leading legal adviser on off-shore finance in Gibraltar.

He said after the Barlow Clowes collapse that he had no idea that the £100m said to be invested in its Gibraltar fund was missing.

When asked whether the opulent lifestyle of Mr Peter Clowes and his associates should have warned him that all was not well, he retorted that most businessmen who used Gibraltar's off-shore financial centre possessed large yachts.

Not surprisingly, given its strong position in Gibraltar,

James Levy, a key figure in the Maxwell trusts, and Hassan Partners' sumptuous offices

Hassan has been involved tangentially in other international financial scandals to touch Gibraltar. For instance, the firm acted as adviser to trusts in Gibraltar which were used as part of a network of offshore vehicles to siphon money from the Lloyd's insurance market in the early 1980s.

Mr Levy is understood to have suffered both financially and professionally as a result of the Barlow Clowes affairs: he lost clients, spent a lot of money on his own defence and spent, to quote one friend, "a year in complete pandemonium."

He seems to have recovered, although he retains a deep suspicion of the press.

For Gibraltar's law firms, the setting up of offshore trusts and the services and the complex structures which these might sometimes involve are accepted as routine work.

Said one leading lawyer, "the operation of a group of companies which are in-house to the firm forms part of our standard armoury. In Gibraltar lawyers are not as departmentalised as in the UK. We are used to doing everything."

After the drawing up of a trust deed – the ultimate beneficiary of which does not have to be disclosed under local law – the client has his pick of a variety of services which go beyond the offering of advice on loopholes in tax legislation.

Services include the registration of a nominee company, and the provision of shareholders and directors, often as pawns of a complex corporate strategy formulated thousands of miles away from Gibraltar.

The average bill which Gibraltarian lawyers charge for their "package" – estimated at between £450 and £1,000 a year – may not on the surface seem a huge recompense. But the larger firms in Gibraltar multiply their earnings by providing similar services to hundreds of companies: in Gibraltar there are more companies than inhabitants.

Moreover, the actual work involved for the firm is not usually great. The directors are rarely required to hold board meetings, the shareholders do not press them to do so, and the overall strategy is, as one lawyer put it, "firmly client-led." The legal firms are in effect often little more than convenient post bags. They receive instructions from others but rarely meet face-to-face with the ultimate beneficiary.

Privately those close to Hassan appear determined to play down the importance of the Gibraltar connection in the Maxwell empire. They abide by Gibraltar law in refusing to say who the ultimate beneficiary is.

The three women named as directors of the principal Maxwell trust, InterEuropean Trust – Margaret Ryan, Vanessa Fa and Barbara Murphy – were all working in the corporate management administrative offices of Hassan Partners when the trust was set up.

Only Ryan and Fa still work in Gibraltar for the firm. Murphy has left for "personal reasons" and now lives in the British Virgin Islands.

Additional reporting by Richard Waters in London

News Corp profit surges 315% in opening quarter

By Kevin Brown in Sydney

NEWS Corporation, Mr Rupert Murdoch's media group, yesterday announced a 315 per cent increase in net profits to A$107.5m (US$84.3m) for the first quarter to September 30, in spite of a 4 per cent fall in sales revenue to A$2.7bn.

The result, which compares with a profit of A$25.9m in the corresponding period of last year, indicates that the group is making rapid progress towards full recovery from the debt crisis which hit it last year.

It is also likely to ensure the success of an equity offering of approximately US$450m being prepared by News Corp to help reduce debt. The group is also raising US$250m in long-term debt, and recently announced a placement of exchangeable preference shares to raise US$175m and the flotation of 55 per cent of its Australian magazine and printing interests to raise A$682m.

News Corp's shares rose to a 22-month high of A$15.50 on the Australian Stock Exchange before the announcement. The shares stood at A$3.30 before the completion of a US$7.6bn refinancing earlier this year.

The group said net profits would have been higher but for losses of A$39.8m incurred through its equity accounted interests in British Sky Broadcasting, the UK satellite television operator, Ansett Transport Industries, the Australian aviation and leasing group, and Super Zeitung, a newly-launched newspaper in eastern Germany.

However, News Corp said Ansett's traffic levels improved towards the end of the quarter, and BSkyB had increased its reach from 1.6m homes to 2.4m. The group booked a profit of A$156,000 against equity accounted investments in last year's first quarter.

At the operating level, profits increased from A$333.8m to A$420.2m, as a result of higher earnings from Twentieth Century Fox Film in the US, and a turn-round of nearly A$80m in the UK, caused by better margins at the group's five newspapers and the decision to equity account Sky's operating losses.

The improved pre-tax profit also included profits on the sale of nine US magazines and foreign exchange gains of about A$7m.

On a geographical basis, the group said its improved film earnings helped increase US operating profits by 3 per cent to A$269.2m, in spite of flat results from Fox Broadcasting and the Harper Collins publishing division.

In the UK, operating profit was A$61.8m, compared with a loss of A$19m in last year's first quarter. Australian margins were boosted by cost cutting and the closure or merger of several newspapers, but operating profits fell from A$90.8m to A$89.7m.

IBM chief predicts good fourth quarter

By Louise Kehoe in San Francisco

MR JOHN AKERS, chairman of International Business Machines, during a visit to Tokyo yesterday, said: "The worst is behind us." It was the first hint of a recovery for the computer giant in a year clouded by dismal profit performance.

"Our performance bottomed out during the summer and is showing signs of improvement," he said. "We believe this fourth quarter will the strongest for us for the year."

The entire computer industry had suffered profit declines, over the past year. "This year the [industry] growth rate will perhaps be zero – or 1, 2 or 3 per cent," he said. Last month, IBM reported an 85 per cent plunge in the third-quarter profits.

Simultaneously in the US, IBM officials were inaugurating a new 10-year pact with Intel, the leading supplier of microprocessor chips, intended to pick up the pace in the sluggish PC market.

Mr James Cannavino, head of IBM's personal computer business, said: "We believe that there are great opportunities for long-term growth in the personal computer market." This was despite the current market slowdown.

IBM and Intel plan to accelerate the rapid development of personal computer chip technology to enable new functions to be added to the personal computer, giving it a much broader appeal among consumers as well as office users.

For IBM, which is facing intense competition from lower-priced compatible personal computers, the partnership with Intel is opportunity to win a competitive advantage by combining its own semiconductor expertise with that of Intel.

The companies will join forces on a series of projects over the next 10 years intended to integrate computer functions on to a single silicon chip. The devices will be based on Intel's latest microprocessors, beginning with the 486, currently Intel's most powerful microprocessor, and continuing with subsequent generations of Intel devices.

Intel and IBM will share ownership of the jointly-developed technology. IBM will have the right to manufacture the chips for its own use and Intel will manufacture and market the devices to its other customers in the personal computer industry.

Salomon breaks with the past

Patrick Harverson on a power shift at the US securities house

THE new management at Salomon Brothers has wasted little time in distancing itself from the firm's past under Mr John Gutfreund, the former chairman who resigned in August over the bond market scandal.

Last week, Mr Warren Buffett, the chairman, launched a blistering attack on the excessive bonuses the Gutfreund regime paid out to senior staff. Now Mr Deryck Maughan, the chief operating officer, has assembled a management team to lead the firm over the next few years that represents a clean break from the past.

The composition of the new nine-man executive committee shows how power has shifted at Salomon. It heavily favours the bond department, the big money generating machine at the firm, and shows a marked bias against the two areas of Salomon that have performed badly in recent years – equities and investment banking.

The chief loser in the management shake-up is Mr Stanley Shopkorn, one of Wall Street's best-known traders. As head of Salomon's equities trading department, Mr Shopkorn was famed for taking big trading risks with large blocks of stock. His aggressive style fitted in perfectly with the methods of the old management, but has looked increasingly out of place at the Buffett-led Salomon.

Mr Shopkorn must have known his days were numbered last month when he was ordered to dump two huge stock positions which the new management felt were not in keeping with Salomon's new style of business. The forced sale left the firm with a loss of almost $100m, and Mr Shopkorn with a red face.

He is not leaving Salomon just yet. Mr Shopkorn will stay on until the end of the year so he can collect his share of the $130m bonus pool Mr Gutfreund established for senior executives. He will be replaced as head of equities by his number two, Mr Bruce Hackett, who specialised in selling stocks to customers not trading them on the market. The changes in the department suggest that Salomon will devote less energy to its equities business and concentrate more on what it does best, bond trading and arbitrage.

Deryck Maughan: team biased towards bonds

The other notable absentee from Mr Maughan's new team is Mr Jay Higgins. Mr Higgins was head of investment banking until late last year, when he was replaced by Mr Maughan, who was brought back from Tokyo to take over the department. Mr Higgins' demotion could hasten his departure from the firm, and indicates that Salomon may be putting its investment banking ambitions on hold for the moment.

The most interesting newcomer on the Maughan team is Mr Lawrence Hilibrand, the bond arbitrage expert. He was at the centre of a controversy earlier this year when Salomon paid him $23m in salary and bonuses for 1990. The appearance of Mr Hilibrand at the firm's top table might be embarrassing for Mr Buffett, who has been a fierce critic of multi-million dollar payouts on Wall Street.

The fact that the new executive committee is very much Mr Maughan's creation has also increased speculation that the British-born chief operating officer will take over as chairman when Mr Buffett leaves.

Fairfax suffers A$376m net loss

By Kevin Brown

JOHN FAIRFAX, the Australian newspaper group which is about to be sold by its bankers, yesterday announced a net loss of A$376m (US$294.8m) after abnormal items in the year to June, compared with a loss of A$59m in the previous year.

Fairfax said the increased loss was caused by the effects of recession on advertising revenue and the weight of interest costs on debts of about A$1.3bn – the legacy of a failed management buy-out in 1987.

The group, which publishes the Sydney Morning Herald, The Age, in Melbourne, the Australian Financial Review, and other newspapers and magazines, was put into receivership by its bankers last December after failing to meet interest costs.

Fairfax said revenue dipped 13.1 per cent to A$708m from A$815m, reflecting the effects of recession. Operating profits before interest and tax fell 37.5 per cent to A$122m from A$195m.

The net loss followed an increase in net interest charges to A$282m from A$269m, and an abnormal loss of A$216m against an abnormal profit of A$14m in the earlier period. The abnormal loss included A$71m in borrowing costs written off after the company was put into receivership, losses relating to interest rate swaps of A$54m and a write-off of A$34m against goodwill.

The result suggests Fairfax will struggle to meet forecasts for operating earnings of about A$140m for the current year, although circulation figures for all three major newspapers were said to be good.

The receiver appointed by the banks is expected to decide soon whether to float the group or sell it to one of three consortia which have made offers of about A$1.3bn.

The three bidders are Tourang, led by Mr Kerry Packer, the Australian media proprietor, and Mr Conrad Black, proprietor of the UK Daily Telegraph group; a consortium led by Mr Tony O'Reilly, the Irish newspaper owner who is also chairman of Heinz, the US food group; and Australian Independent Newspapers, an Australian group backed by domestic financial institutions.

BMW expects record result for current year

By Christopher Parkes in Bonn

BMW, the quality German car maker, is expecting a record result for 1991. Sales, profits and production should all hit new peaks, according to Mr Eberhard von Kuenheim, chief executive.

The driving force behind the advance is the new 3-Series, which accounts for 50 per cent of total daily production of 2,600 cars. But Mr von Kuenheim suggested, the pictwould change next year as domestic demand continued to weaken.

Even so, he was not concerned. After the "extraordinary figures of 1991" which followed a nine-year period of continuous growth, weakening demand in 1992 was not dramatic. With its order books full, the company would be comfortable "sailing in peaceful waters for a while."

Mr von Kuenheim was reporting results for the first 10 months of the year, which showed turnover up 9.3 per cent at DM24.3bn ($14.3bn) and production of cars 5 per cent higher and output of motor cycles up 12 per cent to almost 30,000.

For the full year, he said he expected sales of DM30bn compared with DM27.2bn last time, as vehicle production rose to between 540,000 and 550,000 from 520,000 last year.

Jump in interest bill pegs back OK Bazaars

By Philip Gawith in Johannesburg

CONTINUED economic recession, inflation and socio-political unrest combined to ensure that OK Bazaars, the supermarket chain in the South African Breweries (SAB) group, only showed a marginal first-half profit gain.

Turnover rose 10 per cent to R2.44bn ($714.34m). Although operating income was 25 per cent up at R47.5m, a 59 per cent jump in the interest bill hit attributable profits, which were up by only 1 per cent to R8.93m.

The improved operating performance was the product of far less shrinkage, well-controlled expenses and increased finance charges earned.

Earnings per share were 1 per cent higher at 71.9 cents, while the dividend was maintained at 37 cents a share. The directors do not expect any improvement in the trading environment.

● A decline in consumer spending at Amrel, the clothing, furniture and footwear retailer in the SAB group, saw first-half turnover drop by 3 per cent to R462.5m with attributable earnings down by 29.7 per cent to R5.4m. Earnings per share dropped to 59 cents from 84 cents, and the dividend was cut to 19 cents from 28 cents.

Weak half at Mitsubishi Materials

By Steven Butler in Tokyo

MITSUBISHI Materials, the metals, ceramics and cement company formerly known as Mitsubishi Metals, yesterday reported a 72 per cent decline in pre-tax profits for the six months to the end of September, during a period in which results were heavily influenced by special factors.

The half-year period was the first to reflect the merger of Mitsubishi Mining and Cement into the company, with a resultant boost to both sales and operating profits.

Gross sales, including cement and ceramics for the first time, rose from Y355.8bn to Y394.2bn, while operating profits rose from Y19.89bn to Y20.76bn. The addition of the new business, however, masked a steep underlying decline in Mitsubishi's metals business.

The value of metals sales dropped by 32 per cent to Y150.5bn, reflecting the decline in prices, especially copper. The volume of gold sales were also off sharply from 57,618 kg to 37,919 kg.

The company's aluminium can business was up smartly, with sales rising from Y38.9bn to Y43.6bn. Sales of hardened tools and new materials products were also firm.

Non-operating losses, including a 70 per cent rise in interest expenses to Y13.1bn, reduced operating profits by a net Y7.1bn, compared with Y4.9bn last year. Net extraordinary losses of Y2.8bn, including asset disposals and factory relocation expenses, compared with an extraordinary gain last year of Y23.4bn.

The results were further adversely affected by a rise in the tax charge from Y4.4bn to Y6bn, causing net earnings to fall by 86 per cent to Y4.86bn. Earnings per share were off by 91 per cent to Y4.46.

Mitsubishi is paying an interim of Y3 a share out of a projected full-year dividend of Y7, unchanged from last year.

Japanese real estate company slides 21%

By Emiko Terazono in Tokyo

MITSUBISHI Estate, the Japanese real estate company, reported a 21.1 per cent decline in unconsolidated pre-tax profits to Y36.6bn (US$281.9m) for the first six months to September.

Japanese real estate companies face a squeeze in profits because of the sluggish real estate market and tighter funding conditions.

Mitsubishi blamed the decline in profits on a 15.9 per cent fall in overall sales to Y140.1bn because of consumers refraining from real estate purchases on expectations of a further fall in prices. After-tax profits fell 13.7 per cent to Y18.8bn.

Sales at the company's real estate division, accounting for 15.1 per cent of total sales, plummeted 59.8 per cent to Y21.1bn. However, sales of Mitsubishi's leasing division grew 6.9 per cent to Y99.8bn. Interest receipts fell 60.7 per cent to Y3bn because of a decline in interest rates on its deposits. However, interest payments grew 28.6 per cent to Y23.4bn on a sharp increase in loans.

Mitsubishi plans to spend Y200bn in investments this financial year, but said its cash position was tight because of the finance ministry's restrictions on real estate-related lending by banks.

The company raised Y30bn in straight bonds in the domestic and Euro markets. Its long-term loans rose 46.2 per cent to Y140.8bn, and short-term loans increased by 17.4 per cent to Y220.3bn.

For the full year, Mitsubishi said that it expected real estate sales to pick up, and forecast a 0.1 per cent rise in pre-tax profit to Y90bn on a 3.4 per cent rise in sales to Y350bn.

Omron registers 26% decline at pre-tax level

By Steven Butler

OMRON, the control equipment manufacturer, yesterday reported a 26 per cent drop in pre-tax profits to Y9.37bn in the six months to the end of September.

Most of Omron's product lines showed steady growth in sales, with gross turnover rising 6.3 per cent to Y190.4bn during the period. However, a high level of research and development and depreciation spending brought operating profits down by 36 per cent to Y7.8bn.

The company's sales have been relatively protected from the downturn experienced by some capital equipment makers because Omron's main products are used in labour-saving investments, where many Japanese companies are concentrating resources.

Sales of control equipment rose from Y118.3bn to Y126bn. Sales of electronic funds transfer systems also showed a healthy 13.5 per cent growth to Y30.5bn. Health-care and medical equipment and office automation systems each posted modest gains, while sales of traffic control systems fell by 18 per cent to Y6.1bn.

The relatively steep fall in operating profits was partially compensated for by increased investment earnings. Net non-operating profits rose from Y509m to Y2.55bn. Extraordinary losses, however, also rose from Y163m to Y1.1bn.

Net after-tax earnings fell from Y7.73bn to Y6.47bn, while earnings per share fell from Y33.54 to Y28.01. The interim dividend was unchanged at Y6.5 per share.

Strong C$ blamed for Brascan fall

By Robert Gibbens in Montreal

BRASCAN, the main financial services, resources and consumer products arm of the Peter and Edward Bronfman interests, of Toronto, blamed low commodity prices and the high Canadian dollar for a 87 per cent fall in third-quarter profit to C$3.5m.

After preferred dividends, the quarter showed a loss of 5 cents a share. It included a $12.5m special gain on the sale of Brascan's 29 per cent interest in Cleveland's M.A. Hanna. Revenues were $2.3bn against $2.5bn.

A year earlier, Brascan reported profit of $27.5m, or 19 cents a share.

Nine months' net profit was $24.9m, but after preferred dividends there was a loss of 3 cents a share.

A year earlier, Brascan's profit was $124.6m, or $1.09 a share. Revenues were flat at $7.1bn.

The company said that although lower interest rates would help, it did not expect a return to satisfactory profitability until commodity prices improved and the Canadian dollar declined.

It controls Noranda, Canada's biggest mining, metals and forest products group, and two upstream oil companies.

Hint of end to Foster's boardroom row

By Kevin Brown

SHARES IN Foster's Brewing rose after indications that a battle between Mr Nobby Clark, chairman, and Mr John Elliott, the former chairman and chief executive, may be resolved before next week's annual meeting.

The shares rose 4 cents to close at A$1.80 on the Australian Stock Exchange yesterday after Mr Elliott issued a statement saying discussions with Mr Clark were "progressing well".

Mr Elliott said he had "no wish to return to the company in any executive capacity", and would not seek the chairmanship of the group "in any circumstances". The statement eased market fears that Mr Elliott might attempt to replace Mr Peter Bartels as Foster's chief executive, possibly with the intention of selling some of the group's core brewing assets, which include Carlton and Foster's in Australia, Courage and Watney in the UK, and half of Molson in Canada.

However, Mr Elliott gave no assurances of support for Foster's existing board structure, which he earlier indicated could be overturned in a vote at the annual meeting. He said his principal complaint against the board was that "little has been done to remedy the identifiable weaknesses" in the group's direction, its operating performance and the composition of the board.

International Brewing Holdings (IBH), the private company controlled by Mr Elliott which owns 38 per cent of Foster's, had not yet decided whether to vote for the existing board structure, the statement said.

IBH was angered by the board's decision to pay no dividend for 1990-91, and has pressed for faster progress to restore the group's finances after losses of A$1.3bn (US$1.02bn) in 1989-90 and A$43m last year. Mr Clark and three other independent directors say IBH is bound by a 1990 agreement to back independent control of the board, and have threatened to resign unless they get Mr Elliott's support.

Most observers think IBH would win sufficient shareholder support to defeat the existing board at the annual meeting if Mr Elliott decides to force the issue to a vote.

IBH depends on dividends from Foster's to pay interest on debts of A$2.4bn acquired to finance the purchase of its Foster's shares, which are worth about A$1.5bn at yesterday's closing share price.

KLM advances to Fl 193m in second quarter

By Ronald van de Krol in Amsterdam

KLM Royal Dutch Airlines said that its net profit surged nearly five-fold in the second quarter of 1991-92, due in part to extensive cost-cutting efforts and a reshuffling of its network of routes and scheduled services.

Net profit in the second quarter, which covers the months July to September, jumped to Fl 192.5m ($104m) from Fl 42.7m a year earlier. The result extends the sharply higher trend seen in the first quarter and puts the Dutch national carrier on course for what it described as a "modestly positive result" for the full year after losses of Fl 630m in 1990-1991.

The figures exceeded analysts' expectations, and KLM's shares rose on the Amsterdam bourse to close up Fl 1.20 at Fl 38.20. The company's shares have been firm following confirmation in mid-October that KLM is discussing possible forms of co-operation with British Airways. Yesterday, a company spokesman declined to comment on the progress of the talks.

KLM, which launched a cost-cutting drive in late 1990 to bring its operating expenses in line with Asian competitors, said staff productivity was up 8.3 per cent in the latest quarter compared with the same period last year. However, per-unit costs were still edging upwards as a result of higher fuel costs, depreciation and interest expenses.

In the latest quarter, operating revenues were up 20 per cent at Fl 2.16bn. "As in the previous quarter, this can be attributed mainly to higher yields in local currencies, more favourable exchange rates and revenue increases achieved through adjustments to the route network," KLM said. The strong rise easily outstripped a 12 per cent increase in operating expenses to Fl 1.92bn.

The first-time consolidation of Transavia, the Dutch charter airline in which KLM doubled its stake to 80 per cent in July, boosted both revenues and costs by around 5 per cent.

Overall, KLM made a net profit of Fl 328.4m in the first half, compared with Fl 84.1m a year earlier. The company said that airlines tend to make a loss during the winter season, but forecast that it would produce a modest full-year profit. Last year's steep losses were heavily influenced by restructuring provisions.

Havas rises 13%

By Alice Rawsthorn in Paris

HAVAS, the French communications group which recently forecast a fall in earnings for 1991, has reported a 13 per cent increase in revenue to FFr19bn ($3.3bn) from FFr16.79bn for the first three quarters of the year.

The increase reflects a strong performance from Havas' international interests. The group, a leader in the European poster industry and recently involved in the merger between Eurocom and RSCG, two of France's largest advertising agencies, experienced slower growth in its domestic market.

Havas has recently expanded its international interests. These activities, which represented 27 per cent of consolidated sales in the first nine months, showed growth of 47 per cent, compared with an increase of just over 4 per cent in France.

Media was the strongest division with a 15 per cent increase in revenue to FFr11.46bn from FFr9.95bn. Revenue from posters rose by 5 per cent to FFr2.35bn from FFr2.24bn and from tourism to FFr5.13bn against FFr4.51bn.

The third-quarter results did not include information on profits. However, Havas, which recently announced a fall in first-half net profits to FFr655m from FFr694m, said the pattern of trading had not changed in the second half.

Saga lifts nine-month profits to NKr727m

By Karen Fossli in Oslo

SAGA PETROLEUM, Norway's biggest independent oil producer, yesterday reported a rise in nine-month profits, before extraordinary items, to NKr727m ($113m) from NKr605m in last year's corresponding period.

The group warned, however, that it may charge a loss to fourth-quarter accounts on its 12.4 per cent stake in Elkem, the troubled Norwegian light metals producer.

"The accounts have not been charged with any loss in connection with our shares in Elkem. This question will be considered at year-end closing of the accounts," Saga said.

Group operating profit in the nine-month period increased to NKr1.02bn from NKr742m last year but operating costs increased to NKr2.17bn from NKr1.77bn.

Saga said that total production of oil, gas and condensate had increased to 18.6m barrels of oil equivalent from 15.5m last year. Crude oil comprised an estimated 89 per cent of total production which helped to boost sales of petroleum products to NKr2.43bn from NKr1.88bn.

Saga's profits had been affected by a NKr145m unrealised currency loss which had been charged against third-quarter accounts, however.

Saga forecast that it would sell 20m barrels of oil in 1991, compared with sales of 14.8m in the first three quarters of this year.

Finns propose new shipyard

By Enrique Tessieri in Helsinki

RAUMA and Hollming, two Finnish shipbuilders, and the Finnish state yesterday signed a letter of intent to form a new shipbuilding company which will become operational in January 1992.

The new shipyard will have a share capital of FM384m. Its net sales are forecast to reach FM1.5bn ($376m) in 1992. Rauma and Hollming's orders now are around FM2bn.

BTR increases Hawker bid to £1.55bn

By Andrew Baxter in London

BTR, the UK industrial conglomerate, yesterday surprised financial institutions by raising its offer for Hawker Siddeley, the struggling UK engineering group, from £1.4bn ($2.40bn) to £1.55bn.

Hawker promptly rejected the new terms and vowed to continue fighting for its independence.

Shares in BTR fell 20p to 386p at yesterday's close in London after the company announced a final offer of 113 new BTR shares and £301.25 cash for every 100 Hawker shares. The fall in the BTR share price reduced the value of the new offer from 760p per Hawker share early yesterday to 737.4p, or about £1.51bn. Hawker's shares closed in London yesterday at 739p, up 11p, after touching 750p.

Investors and analysts expressed surprise that the conglomerate had felt it needed to raise an offer that many had considered generous.

"BTR might have risked not sweetening the bid, but they've played very safe," said one analyst. "They simply cannot afford to fail," following recent unsuccessful bids for Pilkington, the UK glass group, and Norton, the US abrasives concern.

Last night, BTR advisers suggested that the new offer, whose cash value is 3.6 per cent above that of the previous bid, was motivated by a wish to end any remaining uncertainty over its final terms earlier than the November 12 deadline for raising the bid.

They claimed the Hawker defence document issued on Tuesday, and in particular the engineering group's pledge to increase its final dividend by 30 per cent, had "seemed foolhardy" to the City and needed a prompt reply.

As with BTR's previous offer, Hawker shareholders would also receive the 10p per share interim dividend announced by the engineering group on September 19.

The final offer is designed to give both the bidder and Hawker shareholders increased flexibility.

Hawker shareholders can receive all or a greater proportion of their consideration in cash at 375p per new BTR share, or all or a greater proportion in new shares at one new share for every 375p in cash.

And under UK takeover rules, the final offer will allow BTR to buy up to 29.9 per cent of Hawker on the open market up to November 26 when the bid ends, compared with 10 per cent previously.

At the close of business on Wednesday, BTR held 6.8 per cent of Hawker.

Full acceptance by Hawker shareholders of the additional cash elections in the offer would involve the bidder in paying out £677m in cash, compared with £578m in the original shares and cash bid, but BTR said yesterday the extra £99m was well within the financial tolerances foreseen before the bid was launched.

Lex, Page 20
Market report, Page 40

A venture planned to make the earth move

Andrew Baxter on the potential behind the three-way construction equipment link-up

THERE is little doubt about what is driving this week's announcement by Fiat of Italy, Japan's Hitachi Construction Machinery and Deere of the US of a potential three-way joint venture in the recession-hit construction equipment industry.

In an increasingly global business "you have to be big to survive," as Fiat put it on Wednesday. And if you are not big in any of the three markets that matter – Europe, North America and Japan – you need a partner that is.

A more intriguing question is where the signing of a memorandum of understanding between the three companies may eventually lead. So far, the companies have agreed merely to explore "possible means of co-operation for the manufacture and distribution of a broad range of construction machinery primarily in Europe, Africa and the Middle East".

This could produce, perhaps by next year, a joint venture majority-controlled by Fiat, which would contribute all its earthmoving equipment businesses – and, crucially, its European distribution network and production capacity. The two minority partners would contribute their product and manufacturing technology.

Significantly, Mr Riccardo Ruggeri, head of Fiat's agricultural and earthmoving equipment arm, did not exclude the possibility of closer links between the three companies in the more distant future. Observers believe one logical result would be a merger, whether of the European businesses or worldwide, to form a powerhouse in the industry.

But Mr David Phillips, head of the Corporate Intelligence Group's Off-Highway Research Division, believes any merger would be five to 10 years away. "The three companies are feeling their way in terms of joint production and distribution – and management culture, an area which is often ignored."

In any case, with Fiat in the driving seat, a cautious long-term strategy is likely. The Italian group has learnt from bitter experience that joint ventures in the construction equipment industry can go badly wrong. Six years of wrangling with Allis Chalmers of the US over the running of the two companies' partnership ended in 1985 with the Italian group taking full control.

Not surprisingly, therefore, a three-way link-up as now contemplated is unheard of in the industry, even in the limited form mapped out this week. Fortunately, though, a series of bilateral agreements developed over the past six years has given all three companies increasing knowledge of each others' strengths and weaknesses.

A year after the dissolution of the Allis-Chalmers joint venture, the fully-owned Fiat subsidiary Fiatallis and Hitachi joined forces in a manufacturing venture to raise both companies' presence in the fast-growing European hydraulic excavator market.

The deal has been one of the successes of co-operation in the industry, giving Fiatallis access to Hitachi's much more modern range of excavators, and the Japanese company a

> A series of agreements over the past six years has given all three companies increasing knowledge of each others' strengths and weaknesses

vital European presence at a time when imports of Japanese hydraulic excavators to Europe were a significant trade issue. A unified Fiat-Hitachi distribution network cemented the relationship.

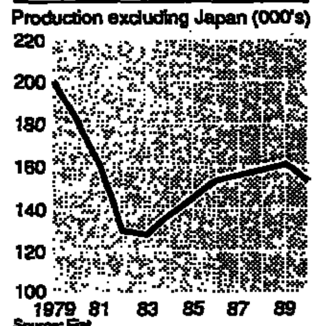
Then, in 1987, a mirror-image deal saw Deere and Hitachi setting up a joint manufacturing operation in North America to make hydraulic excavators.

In 1988, Fiatallis and Deere signed an agreement to produce a range of modified Deere backhoe loaders at Fiatallis' Lecce plant in Italy. The deal, which also covered crawler dozers and crawler loaders, was aimed at giving both companies an effective presence in the European backhoe loader market.

This week's news might seem like an obvious consequence of these two-way deals, but in an industry which

World Earthmoving equipment

Production excluding Japan (000's)



Source: Fiat

boasts a truly Byzantine network of international marketing, distribution and ownership links, things are rarely that simple.

For Fiatallis and Fiat-Hitachi are now part of NH Geotech, the $5bn-turnover company formed earlier this year from the worldwide agricultural and construction equipment businesses of Fiat and Ford Motor, and which is 80 per cent owned by Fiat.

With Fiat in control of both NH Geotech and the potential construction equipment venture, a neat resolution of a complex situation is taking shape, bringing critical mass and strategic focus to the Italian group's earthmoving and agricultural equipment businesses.

The construction equipment businesses in NH Geotech – all the Fiat companies and the more limited Ford New Holland range – will be injected into the new venture. This leaves NH Geotech to concentrate on what was originally its primary task – the creation, partly through manufacturing rationalisation, of a much stronger world player in agricultural equipment.

The potential construction equipment joint venture will require less manufacturing rationalisation, but like NH Geotech will retain its current brands and dealer networks, including Ford New Holland. The strategy aims to sidestep the pain of cutting into dealer networks and disturbing traditional customer loyalties.

Although much remains to be settled, the potential joint venture would start with the existing Fiat-related product range and develop new products with the benefit of Deere and Hitachi's technology. All the main earthmoving products are likely to be included, raising the prospect for Hitachi of a broader European presence and more outlets for its non-excavator products.

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INTL COMPANIES & CAPITAL MARKETS

Treasuries are narrowly mixed ahead of auction

By Patrick Harverson in New York and Sara Webb in London

US BOND prices were narrowly mixed yesterday morning ahead of the last leg in what has been a difficult quarterly refunding round.

At midday, the benchmark 30-year bond was down ⅛ at 101¼, yielding 8.007 per cent. The two-year note was unchanged, however, at 100$\frac{11}{32}$, to carry a yield of 5.610 per cent.

GOVERNMENT BONDS

After the disastrous three-year note auction on Tuesday, and the disappointing 10-year note auction on Wednesday, dealers and investors were understandably cautious yesterday about committing funds to the market in advance of the afternoon sale of $12bn in 30-year bonds.

Few were betting on how the bond sale would go, although traders were said to be looking for an average yield on the securities of 8.02 per cent.

In the credit markets, the Federal Reserve intervened with $2bn in customer repurchase agreements, which surprised those observers who had expected the Fed to stay out of the market with Fed funds trading steadily at their new target rate of 4¾ per cent.

The Fed's actions, however, were not seen as a signal of another ease, rather a confirmation that the Fed wants the Fed funds rate to go no higher than 4¾ per cent.

■ UK government bond prices dipped nearly half a point yesterday as traders noted shortening trades and switching out of gilts into German government securities.

The shift out of long-dated gilts follows Wednesday's strong rally in gilt prices after the Chancellor of the Exchequer, Mr Norman Lamont, announced the government's spending plans in the Autumn Statement.

The Liffe gilt future contract fell from its opening of 95.09 to trade at 94.28 by late afternoon. The benchmark 11¾ per cent gilt due 2003/07 fell from its opening of 113$\frac{11}{16}$ to close at 113$\frac{5}{16}$, while among the shorter-dated issues, the 10 per cent gilt due 1996 slipped from 101¼ to 101$\frac{3}{16}$.

Traders said that there is considerable speculation that the Bank of England may announce further small gilt issues today or early next week, well ahead of the BT share issue.

Last week, the Bank is thought to have sold an estimated £200 to £400m of gilts unofficially.

■ GERMAN government bond prices rallied yesterday on the combination of outright buying and switching out of high-yielding European markets.

Traders noted renewed buying interest in bunds, adding that many international investors have been underweight in the German government bond market in recent months and have decided to increase their holdings in bunds towards the end of the year, despite some nervousness that the government plans to tax investment income.

News of a drop in west German industry orders in September and of a 3.5 per cent year-on-year west German inflation rate in October also helped market sentiment.

The Liffe bund futures contract closed at 85.83, up from its opening of 85.68.

Traders reported switching out of Danish, French, UK and Dutch government bonds into bunds, adding that there was quite heavy selling of Dutch government bonds in the afternoon on worries about the inflation figures due to be released today.

■ HOPES of an interest rate cut in Japan increased yesterday, after the Federal Reserve cut the discount rate and lowered the Fed funds rate on Wednesday.

However, bond prices fell on worries about future supply to close unchanged on the day.

Traders have been expecting a cut in the official discount rate – from 5.5 per cent to 5.0 per cent – during November. However, they said that there was speculation yesterday that the Bank of Japan would cut the rate by more than half a point.

The yield on the benchmark No 129 moved from its opening of 5.945 per cent to 5.925 per cent before closing unchanged in moderate volume.

Volume in the March contract for 10-year government bond futures overtook volume in the December contract, making March the new lead contract.

Separately, a total of Y107.4bn of 5.5 per cent two-year government bonds was sold yesterday at an average price of 99.87 to yield 5.589 per cent.

The lowest price accepted was 99.80 to yield 5.610 per cent. Total bids were Y273.8bn, giving a bid-to-cover ratio of 2.55. The coupon of 5.5 per cent is lower than that on the October two-year bond issue of 5.7 per cent.

● Under a new law, seen as a landmark in freeing Israeli markets, Israelis will soon be allowed to buy and sell unlimited amounts of foreign securities traded through recognised exchanges, Reuter reports from Jerusalem.

The central bank said the new law will take effect in a few weeks once parliament approves tax law changes. At the moment Israelis can only invest in a limited number of local companies traded on US exchanges.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.7806	-0.763	9.81	9.70	10.11
BELGIUM		9.000	08/01	99.5500	+0.100	9.06	9.06	9.10
CANADA *		9.750	12/01	107.1700	+0.370	8.67	8.68	8.98
DENMARK		9.000	11/00	100.5250	+0.050	8.91	8.91	9.00
FRANCE	BTAN	8.500	11/96	98.1977	+0.040	8.95	8.92	9.02
	OAT	9.500	01/01	104.1800	-	8.80	8.75	8.87
GERMANY		8.25	09/01	99.8300	+0.230	8.30	8.35	8.18
ITALY		12.000	06/01	97.3000	-0.070	12.49	12.42	12.50
JAPAN	No 119	4.800	06/99	92.4188	+0.121	6.27	6.24	6.29
	No 129	6.400	03/00	102.5430	+0.065	5.95	5.90	5.96
NETHERLANDS		8.500	03/01	98.2800	+0.010	8.77	8.79	8.70
SPAIN		11.900	07/96	100.7700	+0.020	11.62	11.69	11.52
UK GILTS		10.000	11/96	101-07	+1/32	9.69	9.72	9.71
		10.000	02/01	101-21	-4/32	9.72	9.70	9.67
		9.000	10/08	95-22	-9/32	9.52	9.48	9.49
US TREASURY *		7.875	08/01	102-20	+3/32	7.49	7.44	7.41
		8.125	08/21	101-09	-3/32	8.01	7.90	7.80

London closing. *New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on November 7

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103⅛	103½		6.33
ALBERTA PROVINCE 9 3/8 95	600	107⅞	108⅛		7.06
AUSTRIA 8 1/2 00	400	103	103⅜	-⅛	7.98
BANK OF TOKYO 8 3/8 96	100	102⅝	103⅛		7.63
BELGIUM 9 5/8 98	250	108⅞	109⅜	-⅛	7.85
BFCE 7 3/4 97	150	101⅞	102⅜	+⅛	7.33
BNP 8 5/8 94	300	104⅞	105⅛		6.60
BP CAPITAL 9 5/8 93	150	103½	104⅛	-⅛	6.44
CANADA 9 96	1000	107⅜	107⅞		6.94
CARCO 9 1/4 96	650	101⅞	102⅛	-1⅛	8.77
CCCE 9 1/4 95	300	107⅛	107⅝		6.76
COUNCIL EUROPE 8 96	100	101⅞	102⅜	-⅛	7.50
CREDIT FONCIER 9 1/2 99	300	108⅞	109⅛	-⅛	7.84
DENMARK 8 1/4 94	150	104⅛	104½		6.56
DENMARK 9 1/4 95	1571	106⅞	107⅛	-⅛	6.87
ECSC 8 1/4 96	193	104⅝	105⅛	+⅛	7.13
EEC 7 1/4 93	250	101⅛	101⅞	+⅛	6.10
EIB 7 3/4 96	250	102⅝	103	+⅛	7.06
EIB 9 1/4 97	1000	108⅛	108⅝		7.50
ELEC DE FRANCE 9 98	200	106⅜	106⅞	+⅛	7.68
EURO CRED CARD TST 9 94	325	104⅝	105⅛	-⅛	7.19
EUROFIMA 9 1/4 96	100	106½	107⅜	-⅛	7.43
EXPORT DEV CORP 9 1/2 98	150	108⅛	108⅞	-⅛	7.81
FINLAND 7 7/8 97	200	102	102½	+⅛	7.39
FINNISH EXPORT 9 3/8 95	200	107⅜	108⅛	+⅛	7.06
FORD MOTOR CREDIT 9 1/2 93	300	103⅞	104⅛		7.31
GEN ELEC CAPITAL 9 3/8 96	300	106⅞	107⅛		7.58
GMAC 9 1/8 96	200	104⅛	104⅞		7.91
HALIFAX 9 1/2 93	200	104½	105⅛		6.45
IBM WORLD TRADE 7 5/8 93	150	101⅝	102⅛	-⅛	6.74
IND BK JAPAN FIN 7 7/8 97	200	100½	101		7.74
INTER AMER DEV 7 5/8 96	200	100⅞	101⅜	-⅛	7.39
ITALY 8 1/2 94	1500	105⅛	105⅜	-⅛	6.54
JAPAN DEV BK 8 94	150	103⅛	103⅝	-⅛	6.54
KANSAI ELEC PWR 10 96	350	108⅝	109	-⅛	7.66
LTCB 8 5/8 93	150	102½	103	-⅛	6.57
NEW ZEALAND 8 93	100	102⅛	102⅜	-⅛	6.37
NIPPON CRED BK 9 3/4 93	150	104⅞	105⅜	-⅛	6.95
NIPPON TEL & TEL 9 3/8 95	200	105½	106⅛	-1⅛	7.42
NORDIC INV BANK 9 93	200	104½	104⅞	+⅛	6.02
ONTARIO HYDRO 11 5/8 94	200	110⅛	110⅝	+⅛	6.61
OSTER KONTROLLBANK 8 1/8 93	200	102⅞	103⅛		5.92
PETRO-CANADA 7 1/4 96	200	100⅛	100⅝	+⅛	7.17
QUEBEC HYDRO 9 3/4 98	150	108⅝	108⅞	+⅛	8.11
QUEBEC PROV 9 98	200	104⅛	104⅞	-⅛	8.11
SAINSBURY 9 1/8 96	150	105⅞	106⅛		7.64
SAS 10 99	200	105⅝	106⅛	+½	8.95
SBAB 9 1/2 95	500	107⅛	107½	-⅛	7.14
STATE BK STH AUST 9 1/4 93	100	103⅛	104	-⅛	6.43
SUMITOMO BK CAP MKT 9 3/8 93	150	104⅛	104⅞	-⅛	7.06
SWEDEN 8 1/8 94	150	104	104⅝	+⅛	6.42
SWEDISH EXPORT 9 5/8 93	100	104	104½	-⅛	6.28
TOKYO METROPOLIS 8 1/4 96	200	103⅛	103⅞	-⅛	7.39
WORLD BANK 8 3/8 99	1500	104⅝	104⅞	+⅛	7.77
WORLD BANK 8 3/4 97	1500	106⅞	107	-⅛	7.30
XEROX CORPN 8 3/8 96	100	100⅞	102	-⅛	8.14

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101	101	-1⅛	10.78
BULGARIAN TRADE BK 8 1/2 96	200	85	85	+⅛	12.92
DEUTSCHE FINANCE 7 1/2 95	1000	97⅝	97⅞	-⅛	8.35
EIB 5 3/4 98	400	87⅛	87⅝		8.37
EIB 6 7/8 95	300	96	96		8.08
EUROFIMA 6 1/4 98	400	89⅛	89⅝		8.40
FERRO DEL STAT 5 3/8 93	500	96⅛	96½		8.68
FIRST INTERSTATE 5 3/4 96	100	84⅛	84½	+⅛	10.32
IND BK JAPAN FIN 5 5/8 96	200	88⅛	88⅝		8.95
IND DEV BK INDIA 6 3/8 94	200	89⅛	89⅞		10.37
LUFTHANSA INT FIN 5 7/8 98	500	86⅝	86⅞		8.65
NACIONAL FINANCIERA 11 95	150	101	101		10.61
NAT BK HUNGARY 8 96	200	93	93	+2⅛	9.84
QUEBEC HYDRO 6 3/4 99	300	89½	89½		8.72
SWEDEN 6 1/8 98	300	89	89		8.42
VENEZUELA 8 1/4 93	100	96½	96½	+⅛	10.25
WORLD BANK 0 15	2000	17⅝	17⅝		7.46
WORLD BANK 5 3/4 96	300	91	91		8.28
WORLD BANK 7 1/8 95	500	97⅛	97⅛	+⅛	8.12

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86	86½	+½	7.39
AUSTRIA 4 5/8 98	100	86½	87⅛	-⅛	7.39
CHUBU ELEC POWER 6 3/4 01	300	98½	99	+½	6.96
COUNCIL EUROPE 4 3/4 98	250	87⅛	88	+⅛	7.24
EEC 5 1/2 00	100	88½	89½	-⅛	7.28
EIB 6 1/2 98	600	97	97⅛	+⅛	7.07
ELEC DE FRANCE 7 1/4 06	100	100	100⅛		7.25
FINLAND 5 3/8 95	150	93½	94½		7.31
GENERAL MOTORS 7 1/2 95	100	100½	101		7.31
JAPAN DEV BK 5 1/2 94	100	95⅛	95⅜		7.86
KOBE 6 3/8 01	240	94	95	-½	7.25
NEW ZEALAND 4 7/8 99	200	84⅛	85		7.80
QUEBEC HYDRO 5 08	100	74	75		7.87
WORLD BANK 5 03	150	82	82½		7.33
WORLD BANK 7 01	600	100⅛	100⅛	+⅛	6.97

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	97⅛	98		5.86
CREDIT FONCIER 5 1/4 94	20000	97⅜	98⅛		6.06
DENMARK 7 95	40000	103⅛	103½		5.90
EIB 4 5/8 99	40000	97⅜	97⅞		5.77
FINLAND 6 3/4 96	50000	102⅛	102⅜		6.10
GENERAL ELECTRIC 5 3/4 93	35000	99⅛	99⅜		6.29
INTER AMER DEV 7 1/4 00	30000	108½	108⅞	+⅛	5.94
KANSAI ELEC PWR 4 5/8 94	60000	96⅝	96⅞	+⅛	6.12
NIPPON TEL & TEL 5 7/8 96	50000	99⅝	100	+⅛	5.96
NORWAY 5 1/8 95	50000	97⅛	98	+⅛	5.86
SNCF 6 3/4 00	30000	105⅛	105½	+⅛	5.93
SWEDEN 5 5/8 95	20000	98⅛	99⅛	+⅛	5.99
WORLD BANK 6 3/4 00	50000	105½	105⅞	+⅛	5.89

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.59
KREDIETCORP 7 93 LFr	1000	95⅝	96⅝		9.80
WORLD BANK 8 96 LFr	1000	96½	97½		8.96
BCE INC 9 5/8 93 C$	300	101⅞	102⅜		8.16
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝		9.43
BRITISH COLUMBIA 9 1/4 93 C$	150	101½	102		7.95
EIB 10 1/8 98 C$	130	105⅝	106	+⅛	8.98
ELEC DE FRANCE 9 3/4 99 C$	275	103⅞	104⅜	+⅛	9.05
FORD CREDIT CANADA 10 94 C$	100	103⅞	104⅛	+⅛	8.39
GENERAL ELECT CAP 10 1/4 93 C$	175	103⅞	104⅛	+⅛	7.95
ONTARIO HYDRO 10 7/8 99 C$	500	107⅞	108	+⅛	9.35
OSTER KONTROLLBANK 10 1/4 99 C$	150	106	106½	+⅛	9.12
QUEBEC PROV 10 1/2 98 C$	200	105⅝	106⅛	+⅛	9.37
ROYAL TRUSTCO 10 1/4 93 C$	100	101⅝	102	+⅛	9.01
SWEDEN 9 3/4 93 C$	250	102⅛	102⅝	-⅛	8.11
BELGIUM 9 1/8 96 Ecu	1250	100⅛	100⅝	-⅛	9.06
CNT 7 3/8 93 Ecu	250	96⅛	96⅝		9.99
CREDIT LYONNAIS 9 96 Ecu	125	98⅛	99⅛	+⅛	9.47
DENMARK 7 5/8 96 Ecu	250	92⅛	93⅛	-⅛	9.83
EEC 7 5/8 94 Ecu	200	96⅛	96⅞		9.41
EIB 10 97 Ecu	1125	104⅛	104½		8.90
ITALY 10 3/4 00 Ecu	1000	109⅞	109⅝		9.09
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅛	101½	+⅛	8.89
BP AMERICA 12 1/4 96 A$	100	107⅝	108⅛	-½	9.96
COMM BK AUSTRALIA 13 3/4 99 A$	100	117	117½	-⅛	10.46
COUNCIL EUROPE 13 93 A$	50	103⅞	104⅝	+⅛	9.62
EKSPORTFINANS 12 3/8 95 A$	75	109⅛	109⅝	-⅛	9.21
FORD CRED AUST 13 93 A$	50	102⅞	103⅛	-½	10.88
MCDONALDS CANADA 15 95 A$	100	114⅞	115⅜	-⅛	9.88
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110⅛	110⅝		9.46
STATE BK NSW 14 1/4 99 A$	100	117⅞	118⅛	-½	10.76
VOLKSWAGEN INTL 15 94 A$	100	110⅞	111⅜	-⅛	9.73
ABBEY NATL TREAS 13 3/8 95 £	100	107⅛	107⅝	-⅛	10.61
BARCLAYS JERSEY 9 1/2 93 £	250	98⅞	99⅛		10.31
BRITISH GAS 12 3/4 95 £	300	106⅛	106⅞		10.26
DEUTSCHE BK FIN 11 94 £	225	101½	102		10.16
EIB 10 97 £	536.5	99⅝	99⅞		10.07
FORD CREDIT FUNDING 9 5/8 93 £	50	97⅞	98⅛	-⅛	11.31
INTER AMER DEV 11 3/8 95 £	75	103½	104		10.11
ITALY 10 1/2 14 £	400	98⅛	98⅞	-⅛	10.65
LAND SECS 9 1/2 07 £	200	85⅛	85⅝	-½	11.57
LEEDS PERMANENT 9 1/4 93 £	50	98	98½		10.63
NORWAY 10 1/2 94 £	200	100⅞	101⅛		10.06
ROLLS-ROYCE 9 5/8 93 £	150	98⅛	98½		10.85
SAINSBURY 10 7/8 93 £	100	100	100⅝	-⅛	10.80
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅛	106⅞	+⅛	10.73
WORLD BANK 11 1/4 95 £	100	103⅛	103⅝		10.06
ABBEY NATIONAL 0 96 NZ$	100	63½	64½		9.69
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	106⅛	107⅛		9.15
AIDC 7 7/8 93 FFr	600	97⅛	97⅞		9.43
CEPME 10 95 FFr	2000	102⅛	102⅞		9.17
EURATOM 7 5/8 98 FFr	500	92⅞	93⅛	+⅛	9.09

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.54	99.64	10.6425
BANCO ROMA 0.03 01	200	91.50	92.50	6.4675
BANCO SANTO SPIRITO 93	200	99.57	99.69	5.6250
BELGIUM 1/16 97 DM	500	99.98	100.08	9.5000
BFCE -0.02 96	350	99.95	100.10	6.1050
BNP 05	300	95.50	96.25	5.5625
BRITANNIA 1/10 96 £	150	99.15	99.35	10.6625
CCCE 06 ECU	200	99.93	100.03	9.7500
CITIZENS FED 0.15 96	100	99.45	99.95	5.9625
COMMERZBK O/S FIN 93	200	100.00	100.12	5.8750
CREDIT FONCIER -1/16 98	200	99.84	99.93	5.3438
DENMARK -1/8 96	1000	99.81	99.91	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.04	9.5156
ELEC DE FRANCE 1/8 99	400	100.55	100.95	6.0625
FERRO DEL STAT 94	200	100.76	101.01	5.9375
HALIFAX 1/10 94 £	200	99.95	100.05	11.1000
IRELAND 98	300	99.52	99.62	6.4400
ITALY 00	500	100.58	100.68	6.3750
MITSUI FIN ASIA 1/8 96	100	99.45	99.55	5.9375
MORGAN (JP) 1/4 97	250	99.00	99.75	6.0000
NAT WEST FIN 3/16 05	400	91.70	92.70	5.5000
NEW ZEALAND 93	500	99.98	100.09	5.7500
RENFE 98	500	99.90	100.00	6.0625
SOCIETE GENERALE 96	300	99.48	99.58	5.6250
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.95	99.98	5.2500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 02 £	110	2.98	125⅛	127⅛	
CHUBB CAPITAL 6 98	250	86	101½	102½	+29.32
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	103	103⅞	+14.93
EASTMAN KODAK 6 3/8 01	300	50.67	99½	100⅛	+12.55
GOLD KALGOORLIE 7 1/2 00	65	1.0554	77	78	+51.75
HANSON 9 1/2 06 £	500	2.5875	98⅛	99⅛	+23.11
HAWLEY 6 02 PREF	400	19.1	83⅞	87½	
HILLSDOWN 4 1/2 02 £	150	3.97	114⅞	115⅞	
LAND SECS 6 3/4 02 £	84	6.72	84⅛	85⅞	+13.45
LASMO 7 3/4 05 £	90	5.64	79⅛	80⅞	+43.03
MITSUI BANK 2 5/8 03	200	2337⅛	98	100	+12.33
MOUNT ISA FIN 6 1/2 97	100	2.283	91	92	+17.77
OGDEN 6 02	85	39.077	74½	75½	+59.52
SMITH & NEPHEW 4 02 £	90	1.775	118⅛	119⅛	+55.89
SUMITOMO BANK 3 1/8 04	300	3606.9	78⅞	80	+11.60
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	86⅛	87⅛	
THORN EMI 5 3/4 04 £	103	7.45	117⅞	118⅛	+8.57

* No information available - previous day's price

‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

NZ bank advances despite poor conditions

By Terry Hall in Wellington

THE Bank of New Zealand yesterday reported a tax-paid profit of NZ$73.7m (US$41.4m) for the six months to September 30, from NZ$55.3m a year earlier.

Mr Syd Pasley, chairman, said the improvement showed the bank was returning to more normal operating levels after three years of restructuring.

The result was slightly below analysts' estimates of earnings between NZ$75m and NZ$85m, but Mr Pasley said the bank was continuing to place emphasis on the quality rather than the quantity of its assets. Total assets during the period rose by NZ$427m to NZ$20.03bn.

Mr Lindsay Pyne, chief executive, said the improved performance was made in the face of the most difficult banking conditions the country had faced in recent years and problems adjusting to a much lower interest rate environment.

Mr Pyne said business activity and profit margins were expected to remain tight in the second half and he was cautious over whether the bank could meet the original NZ$160m profit target in the full year.

Mr Pasley said it would be unreasonable to expect the bank to outperform the economy.

Total operating income rose to NZ$435m from NZ$385.8m. Income from other activities was NZ$204m, compared with NZ$185m, reflecting improved income from securities trading.

The general provision for bad and doubtful debts was unchanged at NZ$169.6m.

Sumitomo Chemical to merge units

By Steven Butler in Tokyo

SUMITOMO Chemical said yesterday it would merge three of its pharmaceuticals and fine chemicals companies into a single unit in an effort to boost the competitive strength of the businesses.

Sumika Fine Chemicals is to be formed in April from the merger of Yodogawa Pharmaceutical, Daiei Chemical and Okayama Chemical.

The merger would allow the companies, which are operating in similar product lines, to combine research and development facilities and to respond more promptly to customer needs, Sumitomo said.

The companies each have operations in bulk pharmaceuticals and fine chemical intermediates for pharmaceuticals, agrichemicals, photographic chemicals and heat-sensitive chemicals.

As part of the merger, Daiei's Itami Plant is to be closed in 1994, with the production capacity to be moved to other plants. The company is expected to have sales revenues of Y15bn ($115.5m) in 1992.

● ASAHI Breweries said it plans parent capital spending of about Y28bn in 1992, down from the Y50bn planned for 1991, Reuter reports from Tokyo.

Asahi has spent a total of about Y500bn in the past five years to boost production, and expects to be able to meet demand.

Kawasaki Steel buys ICI division

KAWASAKI Steel, the Japanese steel company, has established a foothold in the US plastics industry with the purchase of the resin compound division of Imperial Chemical Industries (ICI) of the UK for about $100m, writes Steven Butler.

The acquired company, to be called LNP Engineering Plastics, is based in Exton, Pennsylvania. Kawasaki also acquired LNP Plastics Netherland, formerly part of ICI's Dutch operation, which will serve as a base for Kawasaki's European plastics business.

The two operations will be led by a holding company, known as Kawasaki LNP, which Kawasaki has set up in Exton.

In common with other Japanese steel companies, Kawasaki has been expanding into fresh businesses, including chemicals, engineering and electronics, as it main steel business declines.

Correction

Molson

IN yesterday's FT it should have been made clear that Molson's North American venture with Foster's Brewing was not likely to be affected by Mr John Elliott's efforts to return to a more active role at Foster's.

NGC Settlements Limited

INTERNATIONAL CAPITAL MARKETS

European Bourse Reform: London prepares a blueprint aimed at refing operating structures and market practices

Making sure SEAQ stays at the centre of cross-border share trading

WITHIN the next two months, the London Stock Exchange will reveal a master plan for the future structure of its markets. The move will rekindle the debate within Europe over how best to trade the shares of internationally-known companies. It will also reopen controversy over the structure of the UK's domestic stock market, where retail investors and smaller companies have felt for some time that their interests have been disregarded by an exchange more interested in trading international shares than domestic stocks.

The blueprint for a new trading strategy will mark the biggest break with the past since London's Big Bang reforms five years ago. These removed the stockbrokers' cartel and introduced a new, automated price quotation system which allowed the stock market to leave the trading floor. The *next step: extensive refinements* to market structure and trading practice, aimed at taking London beyond the rudimentary markets introduced at Big Bang.

The most significant move will be an attempt to enhance London's SEAQ International system, aimed at reinforcing its position as Europe's cross-border wholesale share market. The system has changed little since it was launched in 1985. A rudimentary price display mechanism, SEAQI was never meant to be more than a stop-gap to support the growing telephone market in London in international shares. That telephone market is now as big as London's domestic share market, and extensive changes will be announced next month.

Three changes to SEAQI are planned.

First, the London exchange says it intends to end the distinction under which all UK stocks are traded on one market while international stocks are traded on another. Mr Andrew Hugh Smith, chairman, revealed this in a speech in London last week when he *declared: "ICI will be traded* alongside Bayer and Hoescht, and BP and Shell alongside Petrofina."

Behind this change lies an attempt to resolve the nagging issue of transparency in the London markets. On the domestic UK market, details of large trades are published 90 minutes after they take place, while smaller ones are published immediately. On the international market, however, trades are not published until the following day.

The issue of transparency has presented the exchange with its most difficult political battles in recent years. The UK's anti-trust agency, the Office of Fair Trading, has been concerned that delays in publication favour strong, market-making firms at the expense of weaker ones. Investment regulators are troubled over the damage done to investor protection by the delays. And a number of European financial centres have used the transparency issue as a stick with which to beat London in their continu*ing battle over common Euro*pean investment rules.

The exchange hopes that creating a single, wholesale market for both UK and non-UK stocks will silence its critics by allowing two different standards of investor protection to develop. The wholesale market would remain as opaque as London's current international share market, reflecting the fact that professional investors prefer lightly regulated markets. The success of London's much longer established Eurobond market provides a model towards which the exchange appeares to be working. On the other hand, the domestic market (used by retail investors) would be subjected to far stricter rules.

The precise details of the rules are still the subject of negotiation with regulators, and remain dependent on the EC's Investment Services Directive.

The second planned change will be to throw SEAQI open to non-UK securities firms and (if they can be tempted to participate) foreign bourses. This signals a renewed attempt by the *London exchange to create a* European wholesale market with the participation of other exchanges, having failed in a similar attempt last year. Five of the 56 market-makers on SEAQI already quote prices from trading rooms outside the UK: increasing that number would make the market truly international.

To draw others in, London is offering to allow outsiders a say in how the rules and regulations of the wholesale market are set. This may not be enough, however: foreign exchanges which choose to participate are likely to demand equal ownership and governance of the market. Mr Peter Hogarth, the exchange's managing director in charge of trading strategy, describes these negotiations as "a very tricky area", but adds: "We believe they will want to play, because it is in their interests to play."

The third change will be a revamp of the infrastructure supporting the market. SEAQI acts simply as an electronic notice board. Mr Hogarth says extensive improvements are *planned*, including the provision of trade reporting and confirmation arrangements, and links into national settlement systems. Recent suggestions by a group of international fund managers in London that they may develop their own trade confirmation system suggest that such developments are long overdue.

The UK's domestic stock market is also due for a shake-up. The system of competing market-makers introduced at the time of Big Bang has proved unsuited to many stocks. Market-makers have found it hard to make a living, while the spreads between the buying and selling prices of many shares have widened sharply (the difference between buying and selling prices for less liquid company averages over 10 per cent).

The exchange's answer, which will also be announced formally within the next two months, is to concentrate trading by granting a franchise in each company's shares to a particular market-maker. These so-called "matching principals" would then match buy and sell orders, as well as acting as market-makers. It would be up to investors whether to buy or sell immediately at a principal's quoted prices and pay the spread, or wait until a matching order emerges and deal without a spread.

Not all stocks on the domestic market are likely to be traded this way. Some will be considered too illiquid, and for these the exchange is likely to run a simple electronic "notice board" on which traders would be able to advertise buy or sell orders. Also, many stocks on the domestic market are likely to be considered liquid enough to support a competing market maker system. A matching-order system could also be developed.

Much will depend on the rebuilding of the exchange's technological base, on which many of these changes depend. The exchange hopes that, by building more flexible systems, it will be able to switch trading practices more easily – for instance, should it decide to adopt order-matching.

Meanwhile, London continues to struggle with a far more difficult technological problem – the *automation* of settlement arrangements. Last month's further delay to the new settlement system, Taurus (it is now planned for April 1993), means London will have to live for another 18 months or so with an outdated, paper-based system. Perhaps more damagingly, it will have to live with the 1 per cent turnover tax, or stamp duty, which the government has said will only go when Taurus is launched.

It is ironic that, as London moves to consolidate its hold on international share trading in Europe, its own domestic market arrangements could be lagging so far behind the main competing financial centres in continental Europe.

■ *This article completes our series on securities reform. Earlier articles were: France (September 26), Netherlands (October 4), Italy (October 9), Germany (October 11), Sweden (October 17), Spain (October 23) and Belgium (October 25).*

Richard Waters

Listing for Sony Music

By Emiko Terazono in Tokyo

SONY MUSIC Entertainment, the software arm of the Japanese electronics group, is to raise $940m through an issue of new equity.

The company, which will be listed on the second section of the Tokyo exchange, will issue 18m new shares – the largest made by a new listing. Sony Music Entertainment stock fetched a price of Y6,800 a share at an auction held this week.

Domestic brokers were enthusiastic, noting prospects for the software business had attracted investors. Sony Music said there had been some worries due to the sluggishness of the market, but added the issue had been popular "because we are the first company in the entertainment software industry to be listed."

For the current year, the company is forecasting pre-tax profits of Y13.3bn on sales of Y86.3bn.

However, some analysts were concerned over the amount of new paper on the market and were sceptical that the issue's popularity would last. Business prospects for the Sony group are weak and earnings for the parent company have been hurt by the oversupply in the electronics market.

Sony has also recently announced a cut in capital spending for the next business year.

"Usually if investors were bullish about the listing, Sony's stock would rise in tandem," said Mr Craig Chudler, equity analyst at brokers UBS Phillips & Drew. However, Sony's stock price has been sluggish since July and the issue fell to a year's low of Y5,030 on the Tokyo Stock Exchange yesterday.

Mr Chudler added that: "investors with whom Sony Music Entertainment's stocks have been placed, are probably selling Sony stocks to maintain the exposure to the group at the same levels."

Belgium launches Y50bn issue

By Simon London

INTERNATIONAL BONDS

BELGIUM took advantage of healthy international demand for yen bonds yesterday, launching a Y50bn seven-year Eurobond issue.

Lead managed by Daiwa Europe, the bonds carry a coupon of 6 per cent and were priced to yield 6.06 per cent, 14 basis points less than Japanese government bonds of comparable maturity. Participants reported strong demand across Europe, especially from UK institutional investors.

Following Wednesday's ¼ point cut in US interest rates, Japan is the next leading economy where an easing of monetary conditions is anticipated. From a fixed re-offer price of 99.65, the bonds traded up to 99.80 bid.

At the other end of the credit quality spectrum, Banco de Galicia y Buenos Aires, Argentina's second largest private commercial bank, came with a debut $75m issue – priced to yield a full 6 per cent more than US Treasury securities. The deal will be payed down *through its life and the bonds* have an average life of 1.8 years. Lead managed by Chase Investment Bank, the deal drew a good response from established buyers of high-yield Latin American paper, including US off-shore accounts and continental European retail investors.

Petrobras, the Brazilian state-backed oil company, also tapped demand for short-dated high-yield bonds, launching a one-year deal via Credit Suisse First Boston. The bonds carry a coupon of 10 per cent and were price to yield 5 per cent more than US Treasury paper.

Participants in both deals reported steady buying, although some institutional buyers have been discouraged by recent falls in Latin American debt prices in the secondary market.

Banque Nationale de Paris launched a A$75m five-year issue lead managed by Deutsche bank Capital Markets. Participants reported slow *sales following a 1 point drop* in domestic bond prices overnight following the release of unemployment data. The deal traded at less 2 per cent bid, a discount equivalent to full fees.

Prudential Funding, the financing arm of the US insurer, raised C$150m over four-years, in a deal lead managed by Wood Gundy. The deal carries a 8¼ per cent coupon, among the lowest coupons ever in the Euro-Canadian dollar sector. Indeed, participants noted that coupons are now almost down to the level of D-Mark bonds. Against this, prospects for the currency remain bright and government bond yields are around 170 basis points higher than US Treasury bonds.

Overseas investors continue to be positive about the immediate prospects for the French bond market which prompted Electricité de France to make its first Euro-French franc issue since 1986. The company launched a FFr2bn nominal zero coupon bond issue, raising around FFr800m at an issue price of 38.87.

Lead managed by Crédit Commercial de France, the 11-year bonds yield just 17 basis points more than French government bonds. A straight issue by the same borrower would yield around 40 basis points more than government paper.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Petroleo Brasileiro(a)†	150	10	99.80	1992	1/½	CSFB
Bco.d'Galicia y Buenos Aires(b)†	75	10	96.998	1994	1¼/1	Chase Investment Bk
New Line Cinema Corp(c)§†	30	6½	100	2006	3½/1½	County Natwest Secs.
FRENCH FRANCS						
Electricite de France(a)†	2bn	zero	38.87	2002	20bp	CCF
CANADIAN DOLLARS						
Prudential Funding Corp(a)†	150	8¼	101.275	1995	1⅝/1.525	Wood Gundy
AUSTRALIAN DOLLARS						
Bque.Nationale d'Paris(a)†	75	9½	101.95	1996	2/1¼	Deutsche Bk Cap.Mkts.
D-MARKS						
Bco.Portuges d'Investimento(d)‡†	175	(d)	100	1996	-	Bayerische Vereinsbk.
SWISS FRANCS						
Kobayashi Metals(e)★★♦	40	4½	100	1995	-	Wirtschafts & Privatbk.
GUILDERS						
EIB(a)†	300	8⅞	101¼	2001	1/⅝	Rabobank Nederland
YEN						
Kingdom of Belgium(a)†	50bn	6	99.65	1998	30/15bp	Daiwa Europe
Daikin Industries(a)†	30bn	6.35	101⅝	1999	1⅞/1¼	Daiwa Europe
Nippon Sanso Corp(a)†	10bn	6.4	101⅜	1997	1⅞/1.575	Yamaichi Int.
Nippon Sanso Corp(a)†	10bn	6.4	101⅜	1997	1⅞/1.575	Daiwa Europe
Nippon Sanso Corp(a)†	10bn	6.4	101¼	2000	2/1⅝	Nikko Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Amortisation schedule, average life 1.8 years. Coupon payable semi-annually. Non-callable. c) Non-callable for first 2 years. Coupon payable semi-annually. Conversion premium fixed at 19.47%. d) Coupon pays 20bp over 6-month Libor. Spread increases by 30bp if withholding tax becomes payable. Non-callable. e) Callable 4/12/93 at 101% declining ¼% semi-annually.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday November 7 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Nov 6: Index No.	Tue Nov 5: Index No.	Mon Nov 4: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (181)	812.44	-0.2	9.37	6.00	13.34	31.79	813.98	814.25	811.09	681.58
2 Building Materials (23)	980.01	-0.2	7.55	6.35	17.45	41.35	981.61	985.57	998.65	922.14
3 Contracting, Construction (30)	1074.70	+0.4	7.56	6.84	18.74	49.81	1070 06	1069.54	1073.55	1116.21
4 Electricals (11)	2511.77	+1.1	8.70	5.82	14.56	84.23	2483 77	2481.40	2476.09	1779 90
5 Electronics (25)	1726.12	+0.7	10.79	5.52	11.78	51.73	1713.91	1713.76	1709.43	1557.53
6 Engineering-Aerospace (8)	357.57	+0.5	15 67	7.26	7.70	18.52	355.65	357.06	351.85	387.22
7 Engineering-General (43)	487.47	-0.1	10.05	5.19	12.25	16.58	488.15	489.64	488.38	344.45
8 Metals and Metal Forming (9)	426.09	-0.3	15.37	8.32	7.90	18.43	427.24	425.77	421.10	395.97
9 Motors (12)	338.14	+0.5	7.66	7.12	17 34	17.56	336.43	336.71	332.91	266.54
10 Other Industrial Materials (20)	1571.78	-1.3	8.03	5.19	14.80	57.59	1593.21	1588.83	1567.54	1112.35
21 CONSUMER GROUP (190)	1578.00	+0.2	7.24	3.54	17.10	34.04	1574.83	1576.44	1565.50	1169.49
22 Brewers and Distillers (22)	1937.06	+0.4	7.95	3 47	15.30	38.33	1929.65	1929.55	1919 95	1474.41
25 Food Manufacturing (19)	1199.96	+0.3	9.44	4.17	13.10	29.98	1196.96	1195.18	1188.56	975.91
26 Food Retailing (17)	2391.96	-0.4	9.19	3 44	14.21	52.15	2401.48	2424.33	2406.42	2219 43
27 Health and Household (23)	4019.65	+0.5	5.02	2.35	22.86	61.87	3999.90	3996.97	3939.59	2377 72
29 Hotels and Leisure (24)	1340.99	+0.3	7.60	5.25	16 26	45.61	1336 75	1329 97	1324.05	1171.95
30 Media (26)	1481.39	-1.1	7.13	4.81	18.33	44.40	1498 22	1510.80	1524.24	0.00
31 Packaging, Paper & Printing (17)	765.67	+0.3	7.34	4.30	16.54	23.54	763.73	761.32	763 57	477.03
34 Stores (32)	1037.98	+0.4	7.24	3.58	18.09	20.52	1033 34	1034.91	1025 21	793 18
35 Textiles (10)	643.26	-0.1	7.24	4.83	17.60	15.49	644.04	647 94	649.36	408.84
40 OTHER GROUPS (110)	1236.36	+0.4	9.80	5.27	12.84	36.02	1231.24	1233.71	1232.59	939 13
41 Business Services (12)	1391.67	+0.5	7.67	4.69	16.21	39.29	1384.09	1391.69	1386.00	0 00
42 Chemicals (21)	1406.26	-0.2	7.17	5.15	17 23	48.39	1408.56	1416 19	1413.34	994.12
43 Conglomerates (11)	1448.51	+0.1	9.97	7.23	12.15	38.87	1446.87	1467.97	1466.38	1230.24
44 Transport (13)	2314.88	+0.8	7 39	4.87	16.76	68.02	2296.71	2298.93	2289.82	1781.22
45 Electricity (16)	1208.34	+0.3	14.54	5.39	8 97	27 53	1204.84	1207.05	1201.66	0.00
46 Telephone Networks(4)	1466.11	+0.7	10.53	4.25	12.43	28.34	1456.51	1456.76	1460 64	1046.64
47 Water(10)	2395.22	+0.7	17.05	6 45	6.49	118.37	2379 61	2387.70	2383 31	1939 86
48 Miscellaneous (23)	1835.41	+0.5	5.33	5.37	25 99	70.17	1825.64	1803 70	1804 80	1478 26
49 INDUSTRIAL GROUP (481)	1279.29	+0.2	8.44	4 55	14 77	34.81	1276.79	1278.32	1272.62	979 15
51 Oil & Gas (19)	2374.15	-0.5	11.01	5.86	12.00	93.60	2385 45	2392.91	2362.21	2270 29
59 500 SHARE INDEX (500)	1373 81	+0 1	8.76	4.70	14.37	39 49	1372.24	1374 21	1366 68	1084 72
61 FINANCIAL GROUP (90)	765.96	+0.5	-	6.10	-	32.04	761 90	766.78	770 47	672.84
62 Banks (9)	881.91	+0.8	4 73	6.05	40 02	37.46	875.08	888 49	901 61	709 50
65 Insurance (Life) (7)	1483.81	+1.4	-	5.71	-	63.68	1464 01	1451 45	1437.30	1246.13
66 Insurance (Composite) (6)	567.17	+0.1	-	7.74	-	32.94	566.59	568 33	567.29	570 12
67 Insurance (Brokers) (9)	1103.33	-0.5	7.45	6.14	17 58	43.14	1108 44	1113 46	1116.63	890.30
68 Merchant Banks (7)	482.86	....	-	4.37	-	13.08	482 95	484 25	485 63	342.90
69 Property (35)	899.35	+0.3	5 88	5.15	24 34	24.74	896.86	897.41	894.81	927.43
70 Other Financial (17)	249.87	-0.3	11.44	7.38	10.97	11.08	250.67	251.94	253.77	244.10
71 Investment Trusts (70)	1210 61	+0.3	-	3.58	-	28 89	1207 27	1213 56	1214.07	982 08
99 ALL-SHARE INDEX (660)	1228.08	+0.2	-	4 85	-	37 18	1226 00	1228.64	1223.67	983.53

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 6	Nov 5	Nov 4	Nov 1	Oct 31	Year ago
FT-SE 100 SHARE INDEX‡	2538 0	+3 8	2548 0	2531.1	2534.2	2540.9	2527.8	2549.5	2566.0	2036.2

FIXED INTEREST

PRICE INDICES	Thu Nov 7	Day's change %	Wed Nov 6	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	121.83	+0.06	121.76	1.63	10.75
2 5-15 years (28)	134.63	+0.06	134.55	1.88	11.84
3 Over 15 years (8)	142.96	....	142.97	1.88	11.50
4 Irredeemables (6)	156.33	+0.20	156.01	0.30	13.45
5 All stocks (69)	132.87	+0.06	132.80	1.80	11.60
Index-Linked					
6 Up to 5 years (2)	166.70	+0.15	166.45	0.38	3.16
7 Over 5 years (9)	149.41	+0.15	149.19	0.84	3.83
8 All stocks (11)	150.66	+0.15	150.44	0.77	3.81
9 Debs & Loans (60)	113.48	-0.32	113.85	2.03	9.26

AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 7	Wed Nov 6	Year ago (approx.)
British Government				
1 Low	5 years	8.50	8.54	10.42
2 Coupons	15 years	9.49	9.49	10.86
3 (0%-7¾%)	20 years	9 49	9 49	10.88
4 Medium	5 years	9.69	9.71	11.41
5 Coupons	15 years	9.63	9.63	11.28
6 (8%-10¾%)	20 years	9.59	9.59	11.22
7 High	5 years	9.90	9.92	11.51
8 Coupons	15 years	9.72	9 72	11.48
9 (11%-)	20 years	9 64	9.65	11 47
10 Irredeemables	†	9.69	9.70	10 99
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.83	3.86	3.62
12 Inflation rate 5%	Over 5 yrs.	4.23	4.24	4 27
13 Inflation rate 10%	Up to 5 yrs.	3.23	3.26	2.43
14 Inflation rate 10%	Over 5 yrs.	4 06	4.07	4 09
15 Debs &	5 years	11.34	11 41	13.35
16 Loans	15 years	11 15	11.14	12.86
17	25 years	10.98	10.92	12.50

‡Opening index 2533.3; 9 am 2536 4; 10 am 2542 1; 11 am 2548.0; Noon 2544 7; 1 pm 2544.6; 2 pm 2543.9; 2 30 pm 2541 6; 3 pm 2540.5; 4.10 pm 2536.7; (a) 11.02am (b) 8.35am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these Indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	41	13	28
Corporations, Dominion and Foreign Bonds	3	4	13
Industrials	263	204	1,018
Financial and Properties	117	85	557
Oils	16	21	53
Plantations	0	0	10
Mines	23	45	85
Others	44	39	68
Totals	507	411	1,832

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
-	F P	-	107½	97½	Allied Radio 8pc Cv Uns Ln 2001	97½	
[illegible]	F P	-	9p	8p	Butte Mining 10pc (Net) Cv Prf 1994	9p	
[illegible]	F P	-	100	98½	Cambourne Inds. 10½pc Rd Deb 2001	98½	
[illegible]	F P	-	102p	100p	Drayton Recovery Tst. Prfd Growth £1	100¼p	
[illegible]	F P	-	101p	101p	Fidelity Euro. Values Equity Ln 2001	101p	
[illegible]	F P	-	112¼p	104¼p	Gartmore Scotland Zero Div Prf	112½p	
[illegible]	F P	-	37p	35¼p	M & G Income Zero Div Prf 1p	36p	
100p	F P	-	104p	101¼p	NatWest Bank 9pc Prf Series A	102p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
33	Nil	25/11	8pm	8pm	Anglo Eastern Plantations	8pm	
13	Nil	20/11	2pm	½pm	British Thornton 5p	½pm	
100	Nil	22/11	31pm	25pm	European Motor 40p	25pm	
97.5	Nil	12/12	1¼pm	½pm	♦Kenmare Res. Ir5p	½pm	
455	Nil	12/12	85pm	80pm	Serco Group 2p	85pm	

‡ Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ** Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective scheme.

TRADITIONAL OPTIONS

- First Dealings Nov. 4
- Last Dealings Nov. 15
- Last Declarations Feb. 6
- For settlement Feb. 17

For rate indications see end of London Share Service

Calls in ADT, Coats Viyella, Arthur Lee, Natl. Home Loans, Pittencrieff and Union Discount. Puts in Albe and Maxwell Comm. Put and call in ASDA.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
		Jan	Apr	Jul	Jan	Apr	Jul
Alld Lyons (*597)	550	57½	77½	83½	9	15	20
	600	26½	46½	53½	25	34½	41½
[illegible]							

Option		CALLS			PUTS		
		Nov	Feb	May	Nov	Feb	May
BAT Inds (*638)	600	38½	59½	68½	2	8½	16
	650	5½	29	40	19½	24½	37
[illegible]							
Amstrad (*39)	35	6	7½	10	1½	3	4½
	40	3½	5½	7	3½	5½	7
Barclays (*397)	390	18½	30½	36	5½	15½	19½
	420	6	15½	20	23	33	35½
Blue Circle (*237)	220	21	29	33	2½	5½	8½
	240	8	17½	21	8½	12½	17½
British Gas (*255)	240	18	23½	26½	2	6	8
	260	6	11	15	9½	14½	17½
Dixons (*246)	240	13½	21½	30	7	11½	13½
	260	5½	11½	19½	17½	22	24
Eurotunnel (*419)	420	25	41½	55	18½	30	38
	460	8	26	38½	45	53	61½
Glaxo (*768)	750	40½	63½	85½	14	27½	32½
	800	14½	39	58½	40½	50½	56½
Hawker Sidd. (*740)	700	40½	46½	49½	1½	4½	10
	750	6½	14½	22	20	27	35
Hillsdown (*200)	200	-	-	18½	-	-	13½
	216	2	7½	-	18	19½	-

Option		CALLS			PUTS		
		Jan	Apr	Jul	Jan	Apr	Jul
Sainsbury (*345)	330	-	33	37	-	8½	11½
	356	9½	-	-	18½	-	-
Shell Trans. (*513)	500	29½	35½	47½	8	15½	18½
	550	7	12½	21½	37½	44½	46½
Storehouse (*109)	100	10½	14½	17½	3	5	7
	110	4½	8	11½	8½	10½	11½
Trafalgar (*242)	240	-	18	21	-	21	26
	251	7	-	-	23½	-	-
Utd. Biscuits (*383)	360	34½	42½	45½	4½	9½	13½
	390	15½	24	30	15½	22½	26
Unilever (*804)	800	34½	50	63½	20½	30½	35½
	850	12½	27½	40½	51¼	60	63½
Ultramar (*344)	330	27½	32½	40½	18½	16½	18
	360	11½	20	24	24	30½	31

Option		CALLS			PUTS		
		Nov	Feb	May	Nov	Feb	May
Brit. Aero (*362)	360	9	26½	31½	7½	16½	31
	384	2	15½	21	24½	31	45½
BAA (*429)	420	14½	27	40½	5½	17½	21
	460	1	11½	22	33	40½	44½

Option		CALLS			PUTS		
		Dec	Mar	Jun	Dec	Mar	Jun
Lonrho (*233)	220	17½	21½	23½	2¼	9½	12½
	240	6	10½	14½	10½	21½	23½
[illegible]							

FT-SE INDEX (*2537)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Nov	158	113	71	36	14½	5	1	1½
Dec	184	140	101	67½	40	22	11½	6
Jan	202	162	124	92½	64	42	27	16
Feb	219	180	144	112	84½	60½	42½	28½
Jun †	280	-	208	-	147	-	96½	-
PUTS								
Nov	5½	9	16½	35	66	114	164	214
Dec	15	21½	33	51	78½	114	164	214
Jan	24½	33½	47½	65½	90½	122	164	214
Feb	32	43½	56½	76	99½	129	167	214
Jun †	56½	-	85	-	135	-	190	-

November 7 Total Contracts 22,676
Calls 12,661 Puts 10,015
FT-SE Index Calls 2,249 Puts 4,153
Euro FT-SE Calls 380 Puts 523
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

Banks call in receivers at Turriff

By Andrew Taylor, Construction Correspondent

RECEIVERS were yesterday appointed to Turriff Corporation, the construction and property group, after it failed to persuade banks to continue their support.

It joins the growing ranks of British developers and contractors which have been brought down by investing in speculative developments at the height of the property market during the late 1980s.

Since then property prices have fallen leaving companies holding costly developments for which they have been struggling to find purchasers.

Shares in the Midlands based group were suspended at 27p yesterday shortly before Mr John Wyatt, chief executive, informed the group's 750 staff that banks were appointing receivers.

Mr Wyatt last week revealed the group was dependent on loan facilities which were being reviewed on a daily basis. The decision to appoint as receivers Mr David Lovett and Mr John Talbot, of accountants Arthur Andersen, followed a meeting between the banks and Turriff executives yesterday morning.

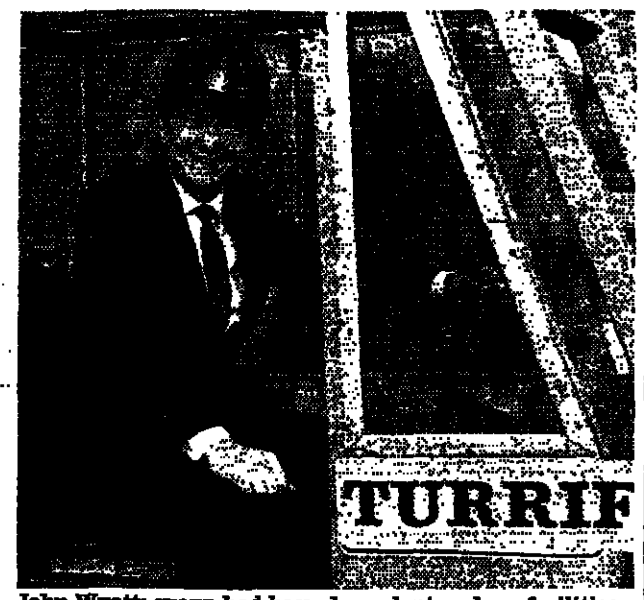
The announcement of a further failure, particularly of such a well known contractor, may increase the pessimism in the construction sector.

Turriff, which last week announced of pre-tax profits of £44,000 for the six months to the end of June, disclosed bank borrowings of £7.3m. In addition it has hire purchase arrangements of £3m and has previously disclosed that it is responsible for £4.26m of off-balance sheet borrowings.

This would take total debt to £14.5m before other borrowings and trade creditors, compared with shareholders funds of £9.76m in the 1990 annual accounts. Last year the group made a loss of a little less than £1m compared with a pre-tax profit of £5.82m in 1989.

Last year's losses were struck after provisions of £2.08m of which £1.65m was to cover potential losses against eight of the group's joint venture property developments and £430,000 against the group's housing operations which are based in south east England.

Turriff had planned to concentrate on construction plant hire and its traditional contracting business.



John Wyatt: group had been dependent on loan facilities

Oil's advance offsets chemical fall at BP

By Deborah Hargreaves

A STRONG performance in British Petroleum's core oil business offset the downturn in chemicals in the third quarter. The chemicals division incurred losses of £20m, compared with profits of £20m last time.

Mr David Simon, chief operating officer, said worldwide demand was low and the business was at the bottom of its cycle. An upturn would depend on a general improvement in the world economy.

"There is a lot of new plant coming on stream worldwide when demand is very low and margins are under extreme pressure," he said.

Third-quarter profits for the exploration and production operations rose to £377m (£291m) on a replacement cost basis. This figure rises to £425m (£341m) when divestment profits are included. The division managed to improve its income by cutting costs which should save about $100m (£58.1m) by the end of the year. It also plans to trim $250m – equivalent to 50 cents a barrel – off its costs by the end of 1993.

BP is hoping to add 400m barrels of oil a year to its reserves, Mr Simon said. It will maintain production next year as it brings a large new field in the North Sea and developments in the Gulf of Mexico and Papua New Guinea on stream.

Refining and marketing saw a squeeze in margins in the third quarter, particularly in the UK, which pushed replacement cost profits down to £190m (£248m) in the same period last year.

The company was hit by a higher tax charge at a rate of 57 per cent which was about 18 points higher than normal due to several one-off charges. The City was disappointed with the results which were below general expectations and shares slipped 5p to 325p.

Oil output was up in the third quarter at an average of 1.3bn barrels a day compared with 1.2bn b/d in the third quarter 1990.

Earnings per share dropped to 2.9p (15.4p) and BP left its dividend unchanged at 4.2p a share.

ASH moves to reduce debt

By Richard Gourlay

Automated Security Holdings, the rapidly-growing security and loss prevention company, yesterday announced its promised plan to sell lease receivables to cut balance sheet debt.

The group has placed £12m of receivables and was expecting to place a further £8m in the "next few weeks".

Mr Tom Buffett, the chairman, said the group was close to selling most of the rest of its finance leases, which would bring balance sheet debt close to zero, from £105m at the end of 1990.

The lease receivable sales follow the group's £60m convertible bond issue in May.

"We aim to have no finance leases on our books; they are not understood and are cash consumptive," said Mr Buffett.

Yesterday the shares rose 10p to 124p.

Benlox listing goes

Benlox, the investment dealing company which launched an abortive bid for Storehouse in 1987, has lost its Stock Exchange share listing.

The Exchange cancelled after what the company called "protracted negotiations". The shares had been suspended since April 1990 and the company had not published accounts for two years.

Pict Petroleum calls for £12m

By Deborah Hargreaves

PICT PETROLEUM, the small UK oil exploration company, announced a £12m rights issue yesterday in order to continue its search for oil both in the UK and overseas. The company also said it would be listed in full on the London Stock Exchange on November 14.

Mr John Lander, managing director, said the cash from the rights issue would be extremely important in funding exploration in a bid to prevent Pict's production from dropping off in the latter part of the decade.

Pict currently produces 2,800 barrels of oil a day (b/d) but this will start to decline in the next two years until its Scott field in the North Sea comes on stream in 1994 when output will rise to more than 5,000 b/d.

Scott output will start to tail off by the end of the decade and to maintain production at 5,000 b/d and more, the company is embarking on an ambitious exploration programme.

As well as significant drilling in the North Sea, Pict is exploring for oil in Tunisia, Vietnam and France. It is also negotiating licences in Syria and Italy which it hopes to have in place by the end of the year.

The company is looking to expand into the near-east and Middle East and one other European country, but two-thirds of its expenditure will be concentrated in the UK.

The cash call is a 2-for-5 issue at 84p per share to raise £11.93m. Pict's major shareholder, Amerada Hess, which owns 48 per cent of the company, has said it will subscribe in full.

Pict's profits doubled in the first six months of the year to £4.63m (£2.3m).

Jupiter Tyndall deputy chief dies

By Michiyo Nakamoto

Jupiter Tyndall, the investment managment and banking group recently formed through the merger of Jupiter Tarbutt Merlin Holdings and Tyndall Holdings, yesterday announced the death of its deputy chairman, Mr Derek Childs, aged 58.

Mr Childs was one of the founders of Jupiter Tyndall's green funds which invest in environmentally sound companies. He was head of a team looking after Merlin International Green Investment Trust, the only listed green fund.

Scottish Cities wins Anglo-Scandinavian

By Philip Coggan, Personal Finance Editor

SCOTTISH CITIES Investment Trust yesterday claimed victory in the £18m bid battle for Anglo-Scandinavian Investment Trust and has declared the offer unconditional.

Victory came despite a proposal from Anglo-Scandinavian to pay cash at 100 per cent of the trust's formula asset value (FAV) or to offer shares in a new split capital trust. FAV is essentially net asset value minus the winding up costs.

The Scottish Cities offer was 90.25 per cent of the FAV in shares and 82 per cent in cash.

Scottish Cities said yesterday that it had received acceptances representing 38.6 per cent, and that it already owned 12.2 per cent. The bulk of the acceptances to date have been for the share offer.

Scottish Cities is part of the Finsbury group of companies, built up by the late Sir Walter Salomon, founder of the Rea Brothers merchant bank. Success in the bid will trigger a restructuring of Scottish Cities, with Anglo-Scandinavian's holding being cancelled and the voting structure simplified.

Sims Food rises 28% and calls for £13.5m

By Michiyo Nakamoto

SIMS FOOD GROUP, bolstered by a strong performance in the first half, is raising £13.5m through a rights issue for the expansion and improvement of its facilities to meet growing demand for factory packaged meat.

The cash call came at the same time as reporting pre-tax profits in the six months to September 30 ahead by 28 per cent to £3.35m (£2.61m) on turnover up 16 per cent to £117.3m (£101.4m).

The supplier of fresh meat to multiple retailers and the catering industry is issuing 4.94m shares on a one-for-five basis, priced at 282p. Yesterday the shares closed down 4p at 340p.

Capital spending for the past three years has totalled £20m. A further £14.5m is expected to be spent during the next two years, of which £11m will go towards increasing capacity. The remainder will be used for improving existing facilities.

During the first half of the year the main engine for growth had been the increase in supermarket demand for factory-packaged meat, Mr David Brady, finance director, said. The catering department, on the other hand, continued to suffer from the drop in discretionary spend.

Earnings per share rose to 9p (6.5p) and an increased interim dividend of 3p (2.64p) is being paid.

FTC makes 'routine' request to Hanson over Beazer interest

By Nikki Tait in New York

HANSON, the UK-based conglomerate which is acquiring Beazer, the construction company, said yesterday that the Federal Trade Commission, the US anti-trust watchdog, had asked for further information on aspects of the proposed merger.

It said that the request – which it termed "routine" – related to cement and aggregates interests in California.

Beazer holds a 50 per cent interest in Cencal, an importer of cement into Northern California, and Cencal's market share, in the area concerned, was put at around six per cent. Hanson, meanwhile, was a much bigger player in the Californian cement market through its Kaiser Cement operation.

In London, Mr Martin Taylor, deputy chairman of Hanson, put Kaiser's comparable market share at more than 30 per cent, and said it was one of the three largest producers there.

Hanson added that it had offered to divest the Cencal interest if that was requested by the FTC.

The business had sales last year of $13.8m and incurred a net loss of $1.7m.

Kaiser Cement produced sales of around $5.8m a year of limestone aggregates. About $2m of its aggregate sales were made to Kaiser Sand and Gravel, a subsidiary of Beazer.

Leeds Permanent 11% rise to £190m despite provisions

By David Barchard

PRE-TAX PROFITS at Leeds Permanent, the fifth largest building society, rose by 11 per to £190.2m in the year to September 30 1991 from £171.3m in 1990 despite record provisions against loan losses.

The society made a £44.3m charge for bad debts, up from £19.9m a year ago, and wrote off a further £13.6m of interest on possessed houses. This is the first time that Leeds Permanent has written off interest.

Leeds Permanent's robust performance in a year when the housing market has been severely depressed surprised the markets. Analysts warned that it might be an exceptionally strong set of figures for the industry which other large societies may not be able to match.

Mr Mike Blackburn, chief executive, said that he was delighted with the increase which had been achieved in the face of aggressive competition and in a stagnant market. All the society's subsidiaries had returned a profit for the first time since he became Leeds Permanent chief executive three years ago.

During the year, Leeds Permanent lent £2.8m, up from £2.5m in 1990. Fixed and capped rate mortgages totalled £1.2bn. Mr Blackburn said that he believed these types of mortgage had helped keep the market alive during the year.

Retail savings held by the society rose from £11bn to £12bn, but the society raised 20 per cent of its funding on the wholesale money markets. In June Leeds took advantage of a change in the law to issue £75m of permanent interest bearing shares, the first society to raise capital in this way.

The society's cost income ratio fell from 46.27 per cent a year ago to 43.17 per cent, despite a slight increase in staff numbers.

Property Leeds, the 106-branch estate agency arm of the society, moved back into the black with a profit of £50,000 after two years of losses.

Fenner profits down 54% but dividend hold cheers City

By Andrew Baxter

FENNER, the Hull-based power transmission, industrial conveyor belts and distribution concern, is maintaining its final dividend despite a 54 per cent fall in pre-tax profits from £16.1m to £7.44m in the year ended August 31.

The profits were in line with City expectations and with the group's first-half performance, and reflected a continuing recession that had left demand in many of Fenner's principal market areas extremely depressed.

But the final dividend of 5.1p, giving an unchanged total for the year of 8.55p, cheered the City, and the shares rose 11p to 115p. Earnings per share slumped from 22.32p to 5.47p.

Mr Peter Barker, chairman, expressed confidence for an improved overall performance in the coming year, and said: "We detect a slight improvement in business confidence. Nevertheless there has not, as yet, been any significant improvement in UK demand levels."

Turnover for the year fell from £215.3m to £203.7m, but the year-on-year volume decrease was about 15 per cent, stripping out the effect of acquisitions.

Mr Barker said Fenner had been able to maintain its dividend because of its strict financial controls. Lower stock levels reduced working capital by 9 per cent, leading to a £2m reduction in borrowing.

After a £6.3m (£3.19m) extraordinary charge, largely reflecting the closure of the Scottish engineering plant, there was an attributable loss of £3.99m (profit £6.24m).

● COMMENT

As a barometer, albeit medium-sized, of UK manufacturing industry, Fenner inevitably hit stormy weather in a fiscal year that more or less matched the depths of the recession. There were downturns elsewhere too, notably in Australasia and Europe, but the overseas performance overall was creditable – a 16 per cent profit decline against 80 per cent in the UK, which accounts for about 40 per cent of business. At home, a real recovery in demand to match current signs of confidence might just catch the last few months of 1991-92, but overall the combination of cost-cutting and tight cash management last year, plus help from an acquisition, lends credibility to Mr Barker's hopes for an improved performance. The City heaved a sigh of relief over the maintained dividend, but the shares still trail their 1991 peak of 143p – not yet, perhaps, the ideal level from which to boost UK capacity usage through acquisition.

Allied-Lyons OFT move for Brent Walker pubs

By Philip Rawstorne

ALLIED-LYONS has approached the Office of Fair Trading for prior approval for a deal involving the purchase and lease-back of Brent Walker's 1,122 pubs, Mr Doug Henderson, Labour trade and industry spokesman, claimed yesterday.

It is understood that Allied would also lease about 750 of its pubs to Brent Walker and supply the enlarged estate with beer.

Such a move, following the proposed joint venture agreement with Carlsberg last month, would further strengthen Allied's position in the UK beer market. It would push its market share above 18 per cent and narrow the gap with Bass and Courage.

Under government orders, Allied has to dispose of 2,400 pubs by November next year. It has already sold or leased about 1,400.

Mr Henderson said that if the deal were approved it could mean the closure of Brent Walker's Cameron brewery at Hartlepool.

He had asked the OFT to ensure there was a commitment to sell the brewery, together with several hundred pubs, as a going concern to a management buy-out team or to some other viable bidder.

"Without that commitment, Cameron's beer will disappear from the 800 pubs in its tied estate and from many other free houses," he said. "Tetleys and Carlsberg lager will further dominate the marketplace.

"The deal might be suitable for Brent Walker's shareholders; but it would be in conflict with the government's legislation, which was intended to prevent greater concentration in the beer industry. It would be bad news for competition, consumer choice, and future beer prices."

● Bass, the UK's leading brewer, yesterday announced the sale of 29 pubs, mainly in Huddersfield, Doncaster and York, to The Pub Partnership, an independent, privately-owned pub retailer. The price was not disclosed.

Bass, which has to dispose of about 2,700 pubs to comply with government legislation, has now sold, or contracted to sell, 1,830 pubs

Bail extension for Asil Nadir

By David Barchard

Mr Asil Nadir, the chairman of Polly Peck International, and Mr John Turner, the Polly Peck group chief accountant, were remanded on bail at Bow Street magistrates' court yesterday until February 11.

Mr Nadir is facing 72 theft charges and four of false accounting, involving £155m of company funds. It was his ninth appearance in court since his arrest on December 15 last year. He was further remanded on bail of £3.5m.

Mr Turner, 52, who was arrested earlier this week, is charged on 10 counts of false accounting, totalling £72.4m. He was remanded on unconditional bail.

Geers Gross loss

Geers Gross, the advertising agency, has fallen from a £317,000 profit to a £385,000 loss in the first half of 1991, and is passing the interim dividend.

Turnover fell to £12.9m (£17.7m), while losses per share worked through at 2.05p (earnings 2.09p). The interim dividend last year was 1p.

Lower interest helps Wm Low improve 11% in 'tough year'

By John Thornhill

WM LOW, the Dundee-based food retailer which runs a chain of 66 supermarkets, was last year squeezed by the recession and fierce competition, resulting in static annual operating profits and falling margins.

However, the pre-tax profit outcome improved 10.5 per cent to £23.6m (£21.3m) thanks to a reduction in the interest bill following last December's £37.2m rights issue and the inclusion of £3.13m (£1.43m) in capitalised interest.

Mr James Millar, chairman, said: "It has been the toughest year I can remember for a long time."

Sales rose to £384m in the 53 weeks to September 7 (£354.4m). New space added 2 per cent to the sales increase but volume sales from existing stores were static after price inflation was stripped out.

Trading profits slipped to £22.3m (£22.46m) and operating margin fell to 5.82 (6.34) per cent, reflecting the increase in central costs associated with the £44.3m investment programme in new stores, distribution and information technology.

Mr Harvie Findlay, finance director, said: "We will introduce an additional 30 per cent to our sales area by the end of the 1992-93 year. That is a higher rate of development than anyone else in our industry."

The final dividend is 5.7p, lifting the total pay-out by 8 per cent to 8.4p (7.75p). Fully diluted earnings per share came to 27.9p (27.44p).

Mr Millar predicted yesterday that "we may be seeing the first cracks in the almost monolithic structure of the food industry in the UK".

Pointing to the influx of discount retailers from continental Europe, the launch by Gateway of a Food Giant discount superstore format, and the increasing consumer awareness of price promotions, Mr Millar said: "We have seen more changes in the industry in the last 12 months than in the past 12 years."

"Our tactical response is to put more emphasis on price. We have upped the gas on special prices and packages and announced a price freeze until the end of December. We will have to take those prices off our gross margin," he said.

Mr Millar said Low's market research showed shoppers were becoming increasingly concerned about the price of food.

Whereas price used to be number five or six on the list of consumer priorities behind such factors as quality and convenience, it had now risen to one, two or three.

But he did not envisage a complete change with past consumer preferences. "Although we have seen these first cracks, the industry in my opinion will be led and driven by the mainstream supermarkets. We are not going to see a complete turnround in the structure of the UK food industry," he said.

● COMMENT

Low is a well-run regional grocery business with an effective trading formula and an ambitious expansion programme. Whether that will be enough to ensure its long-term future as a solid growth stock must be open to some doubt given today's highly voracious food retailing environment. Nevertheless, in the next few years at least there are good opportunities for moving sales ahead as the company unrolls its new stores and benefits from its investments in distribution and information technology. Earnings have also been helped by the reduction in the tax charge from 27 per cent to 22 per cent as a result of its investment programme. This year, it may increase pre-tax profits to £26m putting it on a prospective multiple of about 9.5. Low certainly does not deserve to be on such a substantial discount to the market given its strengths; then again there are many other food retailers trading on similar discounts with yet more impressive prospects.

NEWS DIGEST

St James's Place lower after pay-out

ST JAMES'S Place Capital, the investment trust run by Lord Jacob Rothschild, has reported pre-tax profits of £5.4m for the six months ended September 30, against £9.3m in the corresponding period.

However, the company pointed out that the two periods were not comparable because roughly half the group's assets were distributed to shareholders in the form of units in Bishopsgate Unit Trust in August 1990.

As of September 30, net asset value was 95p per share compared with 78.6p a year ago, and with 91.7p at the end of March. The 5.2 per cent increase over the six-month period compared adversely with the FT All Share Index return of 6.1 per cent.

The interim dividend is again 1.5p.

John Williams Inds shares suspended

The shares of John Williams Industries were suspended yesterday at the company's request pending clarification of its financial position. The suspension price of 3½p was 1p higher than the shares' low point for the year.

The company's share price has fallen steadily since reaching 67p in April 1989. This year it has not been higher than 9p.

In its last reported accounts South Wales-based Williams, which has interests in property, packaging and motor distribution, incurred losses of £951,000 for the year to the end of September, against profits of £278,000.

It has yet to release its figures for the six months to March 31.

There have been a number of changes on the board following the sale of John Williams Foundries to its management in September last year.

In July this year Mr DL Watkins became non-executive chairman and Mr Russell Davis and Mr Robert Palmer became joint chief executives. At the same time Mr Brian Brownhill resigned as executive chairman and Mr Mark Brownhill and Mr Brynmor Jones left the board.

28% profit fall at Appleby Westward

Appleby Westward, which supplies Spar and VG retailers, saw its pre-tax profit fall by 28 per cent in the half year to September 6, although turnover improved by 5 per cent.

The profit came to £855,000 (£1.19m) on sales of £40.8m (£38.8m). Earnings fell to 10.1p (13.8p) and the interim dividend is again 3p.

Westbury reverses into £1.14m loss

Westbury, the Cheltenham based building group, incurred a pre-tax loss of £1.14m in the six months ended August 31, against a pre-tax profit of £5.1m previously, as turnover fell from £86.7m to £68.6m.

Earlier this year the group raised £20.7m in a one-for-three rights issue. The proceeds had been used to reduce net borrowings from £55m at the end of February to £25.2m at the end August.

Gearing was cut from just over 50 per cent to 23 per cent. The group has been trading in the black since the end of August.

The interim dividend is maintained at 3.25p on the increased capital. Losses per share were 2.01p (earnings 6.37p).

Kitty Little in loss and passes dividend

Kitty Little, the USM-quoted maker of environmental fragrances and cosmetic bags and marketer of self-selection reading glasses, fell into losses in the six months to July 31.

At the pre-tax level, losses emerged at £65,000 (profits £75,000) on sharply reduced turnover of £2.05m (£3.74m).

The company intends to change the year-end from January 31 to December 31.

Losses per share worked through at 0.67p (earnings 0.64p) and the interim dividend is passed (0.25p).

The company also announced that it had agreed to manage the business of MH Trade, a distributor of Foster Grant sunglasses and reading glasses in the UK and Europe. It has acquired options to buy MH's issued share capital.

Difficult conditions continue for MMT

The difficult trading conditions highlighted in the interim statement continued at MMT Computing throughout the rest of the year. However the present year had started slightly better with improved forward order books, the company said.

Pre-tax profits for the USM-quoted computer systems consultancy fell by a third from £1.87m to £1.26m in the year to August 31. Turnover was down at £5.92m (£7.52m), a fall of 21 per cent.

Profits were helped by £357,000 (£356,000) of investment income but this was offset by higher interest charges of £4,000 (£1,800) and a lower contribution from an associate of £47,000 (£95,000).

Earnings per share came out at 6.8p (10.4p). A final dividend of 2.2p is proposed making 3.2p (3p) for the year.

DIVIDENDS ANNOUNCED

Appleby Westward ...int	3	Jan 2	3	-	8.5
BMSS ...int	2†	Dec 2	2	-	4.7
Burtonwood Bwy ...int	0.7	-	0.7	-	4.24
Fenner ...fin	5.1‡‡	Jan 24	5.1	8.55	8.55
Geers Gross ...int	nil	-	1	-	2
King & Shaxson ...int	2.5	Dec 16	2.5	-	10.25
Kitty Little § ...int	nil	-	0.25	-	0.575
Low (Wm) ...fin	5.7†	Jan 6	5.25	8.4†	7.75
MMT Computing § ...fin	2.2	Jan 6	2	3.2	3
St James's Place...int	1.5	Dec 12	1.5	-	3
Sims Food ...int	3†	Jan 3	2.64	-	10.25
Westbury ...int	3.25†	Jan 9	3.25	-	9
Yorklyde ...int	4	Dec 6	4	-	9.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡‡Carries scrip option.

Yorklyde declines 23% to £1.06m

A 23 per cent drop from £1.36m to £1.06m in pre-tax profits for the six months ended July 31 was announced by Yorklyde, the wool textile weavers and spinners.

Turnover for the period was £5.92m (£6.18m) and earnings per share, after tax of £369,000 (£477,000), fell from 18.2p to 14.1p. The interim dividend was maintained at 4p.

Property sales again boost Burtonwood

A near £1m increase in property profits enabled Burtonwood Brewery to lift its pre-tax figure from £2.38m to £3.05m in the half year to September 28.

Mr John Dutton-Forshaw, chairman, explained that in difficult trading conditions volumes fell by 5.5 per cent and turnover by 1.5 per cent to £22.6m (£22.9m). When stripping out the effect of the cash and carry closure at the end of last year, turnover showed a 6 per cent increase.

Trading profit fell 14 per cent to £1.99m (£2.32m) but, in spite of the hostile environment, retail profits were up on the previous year, and the chairman expected that to continue.

Earnings per share came to 12.1p (8.5p) and the interim dividend is held at 0.7p.

COMMODITIES AND AGRICULTURE

EC Court of Auditors savages sugar regime

By David Gardner in Brussels

THE EUROPEAN *Community's 23-year-old sugar* regime has failed to establish a common market, generates the highest degree of overproduction of any community farm policy, inhibits the rational organisation of output according to comparative advantage within Europe and depresses world sugar prices while passing on excessive charges to EC consumers.

This is the acid conclusion of the Luxembourg-based EC Court of Auditors on the sugar regime, in a report published yesterday.

It describes the complex sugar quota system as "an instrument designed for satisfying the industrial and national interests that are at stake in the market, rather *than as a means of guiding* production", maintaining the vested interests of a concentrated refining industry regardless of economic efficiency or real viability.

Supply, including imports, has exceeded demand by an average 48 per cent over the past decade and quota restrictions do almost nothing to *restrain this, the report argues.* Sugar output comes under three main headings: "A" and "B" quotas, covering production for domestic consumption and export, and "C" sugar, which *is output* over and above these two quotas and has to be exported at world prices with the cost being borne by the producer.

The report finds that "C" sugar, which accounts for a third of the oversupply, is an excess cost on the regime as a whole despite this apparently neutral provision. Up to a fifth of "C" sugar can be stored under the subsidised "A" regime if it is carried forward to the next marketing year. Secondly, the export of "C" sugar at world prices increases *revenue for exporters of B* sugar – by depressing world prices and thereby increasing the export refund the EC pays producers, the difference between community prices, now *about Ecu530 (£370)* a tonne, and market prices around half that. Export refunds account for 70 per cent of the Ecu2bn spent on the *sugar regime.*

The report says a reduction in sowing of beet of 20 per cent would still leave an 8 per cent margin of oversupply as a strategic buffer against adverse weather. It *also* claims that each 1m tonnes reduction in C sugar output raises world prices by 1.5 to 3.1 per cent. A European Commission official said this is based "on the assumption that no one else will take up that slack, and that's a false assumption.

The system also encourages farmers to over-produce in order to ensure they never fall below quota because of climatic factors, in case they lose entitlement to quota.

The commission argues that the scheme is largely self-financed by levies *on farmers*, and that overproduction is in fact 29 per cent after preferential imports from Caribbean and African countries are stripped out. The court agrees *this is true in budgetary terms*, but points out that the levies are passed on to the consumer as higher prices.

Banana 'madness' under attack

By David Blackwell

EUROPEAN COMMUNITY banana importers and wholesalers are the main beneficiaries of arrangements intended to aid growers in EC countries' overseas territories and former *colonies, according to a study* by the Canberra-based Centre for International Economics.

The centre estimates that in 1987 EC consumers spent $1.44bn more buying bananas from these countries than they would have cost at the world market price, while the benefit to the exporting countries amounted to only $228m.

The great bulk of the extra cost – $906m – is attributed to what the centre describes as "the estimated value of the monopolistic privilege conferred on local importers and wholesalers". It *also* says *that* the high EC consumer prices discourage consumption and support inefficient production.

The EC last year was the single largest importer of bananas, accounting for almost 40 per cent of world trade. But historic ties to former colonies have left the EC internal market in bananas with severe discrepancies.

Germany is the only EC country with a zero tariff and an unlimited quota on bananas. As a result it has the lowest retail prices outside the US and per capita consumption of 14 kg a year, compared with the UK's 8 kg a year.

The US benefits from the distortion in the world market, taking bananas from the low cost, efficient producers in Latin America, where 75 per cent of exports are grown.

The advent of the EC single market in 1992 provides "an ideal opportunity to reform this economic madness," according to Mr Brent Borrell, one of the authors of the report.

He believes the policy option taken by the EC could have a huge impact on how much EC consumers pay for bananas and *on the quality of the fruit* available, as well as an impact on the incomes of some small developing countries.

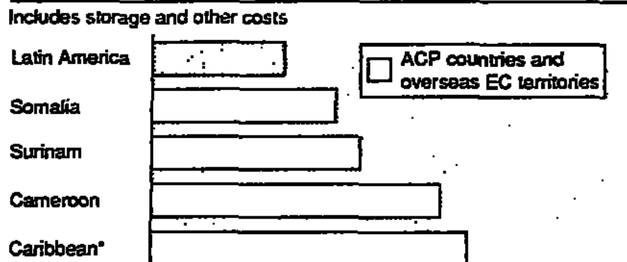
Mr Borrell's preferred option is provide direct aid, raised through a relatively low tariff on all banana imports, to the preferred suppliers such as the West Indian islands.

The tariff option would cost consumers between only $1.01 and $1.53 to transfer each $1 of aid, says the report. This could be directed into development rather than into banana industries with no long term prospects.

However, the EC is considering quota-based options, which *Mr Borrell claims will maintain* the monopoly privileges of importers and wholesalers of bananas from EC territories and former colonies.

Banana production costs

Includes storage and other costs



*Dominica, Grenada, St. Lucia, St. Vincent and Jamaica Source: Industry

Nymex plans 1992 launch for electronic trading

By Barbara Durr in Chicago

THE NEW York Mercantile Exchange, the US energy futures market, signed a contract yesterday that will create a round-the-clock electronic trading system.

After approval on Wednesday night by the exchange's board of directors, contracts were signed with AT & T, the telecommunications giant, and Task Management, a computer software company, to build and prepare a system for launch in late 1992.

The exchange's move to create its own electronic trading system follows its departure from negotiations to become a partner with the Chicago Mercantile Exchange in Globex, the world-wide screen trading *system that the CME and* the Chicago Board of Trade are working on.

The system will be called Access (American Computerised Commodity Exchange System and Services). It will operate between the hours of 5 pm and 8 am, New York time. Nymex's markets are currently open from 8:10 am to 3:10 pm.

Futures and options for crude oil, heating oil, unleaded gasoline and platinum will be on the system.

Nymex's proposed sour crude contract, which is expected to be approved soon by the Commodity Futures Trading Commission, the industry's watchdog, will also be listed on the Access system.

The launch of Globex, which would be for trading financial futures, has been repeatedly delayed and is not expected to be operational until at least mid-1992.

Cold comfort on global warming

John Hunt on assessments of the effect on crops in Asia and Brazil

AGRICULTURE AND the coastal fishing industry in south-east Asia could be seriously affected by global warming according to *the first detailed survey into* the regional impact of the "greenhouse" effect.

There could be extremes of weather resulting in droughts, floods and frosts accompanied by sea level rises of 10 to 30 cm by the year 2030, it says. This would cause extensive damage to the fish and prawn industry, which provides an important source of protein in local diet.

Over the next 30 years rice yields in Malaysia may fall by 12 to 22 per cent because of higher temperatures. There would be higher rates of evaporation and substantially increased need for irrigation.

In some areas, however, climate change could beneficial. Frosts and floods in the south of Brazil might damage coffee *and citrus growing, but rainfall* increases in parts of south-east Asia might compensate for high evaporation and extend the area of rice cultivation.

The report, The Potential Socio-Economic Effects of Climate Change, was produced by the governments of Indonesia, Malaysia, Thailand and Vietnam and there was a similar study by Brazil.

The United Nations Environment Programme supported the project and the report was edited by the Environmental Change Unit at Oxford University.

For Indonesia, Malaysia and Thailand computer models were used to simulate the possible effects of climate change. Findings were based on a dou*bling of atmospheric carbon* dioxide, the main greenhouse gas, by the year 2030. It was assumed that current trends in emissions would continue, causing an increase in mean annual temperature of C 3° to C 4° (F 5.4° to 7.2°) by 2050.

"Even if greenhouse gas emissions were halted by the year 2030 global sea level would continue to rise by 40 cm by 2100, levelling off a century or so later," it says. In *Indonesia maize yields might* fall by between 25 and 50 per cent. Improved growing methods could mitigate this but thousands of farm labourers and farmers could lose their livelihoods.

Indonesian rice yields could decrease as a result of higher temperatures and reduced water but the drop could be held at 4 per cent by increases in late season rice production.

Increased rainfall could mean a 30 per cent increase in the irrigation area of the Brantas and Citarum basins in western Java. But heavy rain would also mean increased soil erosion resulting in the loss of 2,000 tonnes of soyabean production in the upper Citarum River basin, 2,500 tonnes in the Brantas basin and 2,700 tonnes in the Saddan River basin.

Soyabean yields could frequently fall more than 10 per cent but increased productivity might partly offset this.

In Malaysia the reduction in rice yield would "significantly affect levels of farm income". Many farmers might be forced to seek alternative income, with the poorest relinquishing their land and levels of rural poverty increasing.

The *practice of growing two* rice crops a year would have to be limited to a smaller area and the effect on national rice output could be substantial. Malaysia's rice production, which satisfies 60 per cent of demand, could be cut to less than 50 per cent of demand.

The east coast of Peninsular Malaysia could become too wet for rubber cultivation with rainfall interfering excessively with tapping. Rubber production, currently valued at M$3.6bn (£750m), could be reduced by 15 per cent.

Much of Malaysia is low-lying coastal plain and sea level rises could cause substantial losses of agricultural land, mangrove forests and fisheries.

In the Suratthani province of *southern Thailand*, rising sea levels could inundate 37 per cent of the coastal area with the loss of 4,200 hectares of agricultural land.

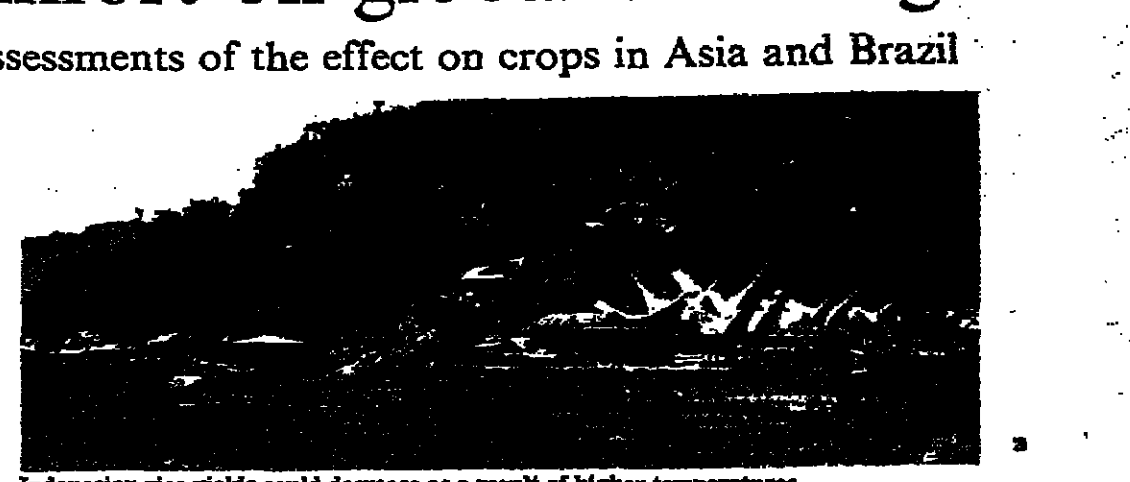
A study in Ayuthaya Province, Thailand, indicated that the main rice crop could increase by 8 per cent. But this was not consistent with results for Chiang Mai which suggested rice yield would decrease by 5 per cent.

Vietnam says that more research is needed into the effects of climate change but over the long term it could have a significant impact on agriculture. The Red River and Mekong River deltas are major agricultural areas and a substantial reduction in their output would have consequences for the country as a whole.

Brazilian studies concentrated on the current impact of climate variation as a guide to future climate change. Dry spells every year in the highly fertile agricultural region of Brazil's mid-west cause substantial losses in yield of rice and maize.

The report concludes that there is still great uncertainty in predicting climate change but says countries must begin to explore useful responses.

Potential Socio-Economic Effects of Climate Change, Environmental Change Unit of Oxford University, 1A Mansfield Rd, Oxford.



Indonesian rice yields could decrease as a result of higher temperatures

Action sought on salmon dumping

By Karen Fossli in Oslo

NORWAY'S MINISTRY of fisheries said yesterday that Britain and Ireland have called for "safeguard action" to be *taken by the European Commission* against Norway for alleged salmon dumping in the European Community, its biggest customer, undermining market prices.

However, Mr Thorvald Stoltenberg, Norway's foreign minister, was given assurances by Mr Douglas Hurd, the British foreign minister, in Rome that the issue would be taken up with the British government and the commission in an effort to get a fresh assessment of the allegation. Both ministers were attending the Nato *meeting in Rome where they* held discussions on their countries' respective fish-farming industries.

Norway's fisheries ministry said there was reason to believe that the EC would implement a minimum price demand for the import of *Norwegian farmed salmon*, although two alternative measures were being considered, an import tariff and an import quota.

In 1990 the community imported roughly 9,000 tonnes of Norwegian salmon, or about 90 per cent of production.

Norway, however, has not denied the dumping allegation but has taken the position that the country's industry as a whole has not been dumping salmon in the EC market, but that a few individual fish-farmers have been operating out*side regulations.*

Because of this, stronger export controls are being considered by the government along with a restructuring of the fish-farming industry.

Norway's beleaguered fish-farming industry this year was forced to freeze 32,000 tonnes of *salmon due to over-production.*

Negotiations are under way with the Soviet Union, which has expressed interest in buying about 15,000 tonnes of the frozen salmon for about NKr15 (£1.30) a kilogram, about half the current market price.

The industry is also negotiating with the ruling minority Labour government for a NKr1bn cash injection to ensure its survival. But the government has offered to prop up the fish farmers with a NKr200m subsidy, although it has accumulated some NKr2bn *in debt with Norway's banks.*

Intense lobbying yesterday by Norway sought to prevent the EC from penalising its fish-farmers.

Alcan Brazil closures cut capacity by 9,000 tonnes

By Victoria Griffith in Sao Paulo

ALCAN BRAZIL, which is under pressure from low inter*national aluminium prices and* increasingly stringent environmental controls, has begun to shut down a series of furnaces in its Ouro Preto plant and announced the closure of an extrusions factory in Aratu

The shut-down of the Ouro Preto furnaces will cut the company's total production capacity by 9,000 tonnes a year. The furnaces do not meet national anti-pollution standards, and the group was unwilling to invest the modernisation necessary to reduce emissions.

"This series of furnaces was the only one which did not meet environmental standards", said a group executive. The company explained that low profit levels have forced it to cut back on investments.

"International prices have fallen so low that many aluminium factories are operating at a loss," said another executive. "We couldn't afford to make any major investments."

More modern equipment at the Ouro Preto plant which does meet anti-pollution standards will stay in operation. Together, these furnaces have the capacity to produce 51,000 tonnes a year. Alcan warned that the surging cost of electricity in Brazil might force some operators out of business.

"Today, the cost of electric*ity in Brazil is well above rates* paid by international competitors," said the company. Electricity accounts for 30 per cent of its *total* operating costs.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta coffee prices closed slightly down after the January contract at one point reached a six-month high of £588 a tonne. Dealers said business included arbitrage selling in London with some operators looking to take profits after the recent sharp narrowing in New York's premiums. News that French trader Sincafc was in serious financial trouble contributed to the early upturn amid signs of some hedge lifting. Sincafc's problems also led to short covering in the London cocoa market, where the March contract went above £800 a tonne before retreating at the close. On the LME nickel prices hit 19-month *lows before recovering some of* the losses. The downward move was sparked by European-based selling which drove the three-month price below $7,400 a tonne – the floor of the recent $100 range. Technicals are bearish, dealers said. On the London bullion market gold edged ahead but came off the highs after a fall in the silver price on Comex, where computer-managed fund and trade selling triggered stops below 403 cents a troy ounce, basis December. In Europe spot silver dived through support at 405 cents, before rebounding from psychological support at 400 cents.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$19.05-9.15	+0.15
Brent Blend (dated)	$21.80-1.90	-0.20
Brent Blend (Dec)	$21.80-1.85	-0.20
W.T.I. (1 pm est)	$23.20-3.25z	-0.30

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$245-247	-1
Gas Oil	$223-225	-3
Heavy Fuel Oil	$87-89	-1.5
Naphtha	$221-224	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$354.80	+0.45
Silver (per troy oz)♣	407.00c	-0.25
Platinum (per troy oz)	$363.30	+1.3
Palladium (per troy oz)	$86.75	+0.25
Copper (US Producer)	110.77	-0.19
Lead (US Producer)	37.83	
Tin (Kuala Lumpur market)	14.83r	
Tin (New York)	256.5	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.44p	-1.70*
Sheep (dead weight)†	134.46p	+24.8*
Pigs (live weight)†	77.83p	+1.96*
London daily sugar (raw)	$221.5	-4.5
London daily sugar (white)	$263.0	-3.2
Tate and Lyle export price	£233.5	-2
Barley (English feed)	na	
Maize (US No. 3 yellow)	£141.25u	
Wheat (US Dark Northern)	£101.0	
Rubber (Dec)♥	52.00p	
Rubber (Jan)♥	52.00p	
Rubber (KL RSS No 1 Nov)	224.5m	
Coconut oil (Philippines)§	$585x	
Palm Oil (Malaysian)§	$362.5x	-10
Copra (Philippines)§	$375.0z	-2.5
Soyabeans (US)	£149.0	-1
Cotton "A" Index	64.35c	
Wooltops (64s Super)	387p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov x-Nov/Dec y-Dec/Jan z-Dec ‡-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	192.40	192.60	190.00	
Mar	188.60	187.80	190.20	188.00
May	190.00	189.80	190.00	188.00
Aug	195.00	194.80	192.40	
Oct	192.00	193.00	190.60	
White	**Close**	**Previous**	**High/Low**	
Dec	283.9	281.8	283.0	282.0
Mar	280.0	277.8	280.0	278.0
May	279.0	277.2	279.0	277.3
Aug	281.0	279.4	281.5	280.5
Oct	257.0	255.4	257.0	256.0
Dec	255.0	254.4	254.0	253.7
Mar	256.0	257.4	256.9	255.0

Turnover: Raw 862 (116) lots of 50 tonnes. White 813 (2420)
Paris- White (FFr per tonne): (Nov.6) Dec 1583.44, Mar 1582.72

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Dec	21.86	22.05	22.23	21.85
Jan	21.71	21.89	22.04	21.69
Feb	21.49	21.68	21.80	21.49
Mar	21.34	21.40	21.44	21.34
Apr	21.10	21.10	21.30	21.10
May	20.90	20.96	21.10	20.90
Jun	20.80	20.75	20.80	
IPE Index	22.19	22.35		

Turnover 24083 (36364)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Nov	221.50	222.00	222.00	219.25
Dec	222.75	223.25	223.50	220.75
Jan	220.50	221.25	221.75	219.00
Feb	212.25	212.50	213.50	211.00
Mar	203.75	204.25	204.75	203.75
Apr	196.25	196.00	196.50	195.25
May	188.75	189.00	189.50	188.75
Jun	184.50	185.00	185.50	184.50

Turnover 15037 (20233) lots of 100 tonnes

FRUIT & VEGETABLES
Homegrown Conference pears are superb this week at 35-45p a lb reports the FFVIB. Comice pears are great at 40-50p a lb. Apples remain plentiful with spartan at 45-55p a lb, French Granny Smith at 50-60p a lb and Washington Red Delicious at 65-75p a lb. Bananas are a superb buy at 45-70p alb along with New Zealand Kiwi at 15-25p each.November is British onion month and top quality homegrown onions are now in the shops at 16-20p a lb. Small pickling onions are also good at 15-20p a lb. Carrots are at 15-20p a lb,Brussels sprouts at 28-35p a lb and cabbage at 16-25p a head.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	758	744	764	751
Mar	792	784	801	790
May	816	810	824	815
Jul	839	833	845	839
Sep	862	858	868	863
Dec	888	882	894	887
Mar	913	904	920	911
Sep	960	958	971	965

Turnover: 7620 (4145) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.6 948.78 (943.93) 10 day average for Nov.7 938.11 (936.85)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	557	559	560	550
Jan	568	576	588	563
Mar	546	553	560	544

Turnover:5710 (9188) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.6: Comp. daily 62.78 (63.25) 15 day average 63.61 (63.64)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	132.3	130.3	132.1	130.0
May	150.0	147.0	148.0	

Turnover 228 (137) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	130.50	131.50	130.50
Jun	125.00	124.50	125.00

Turnover 30 (469) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Nov	1666	1686	1680	1666
Dec	1670	1685	1675	1670
Jan	1689	1706	1700	1688
Apr	1693	1706	1704	1693
Oct	1550		1570	1550
BFI	1654	1659	1654	

Turnover 351 (367)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	118.40	118.15	118.50	118.35
Jan	122.05	121.80	122.15	122.00
Mar	125.40	125.10	125.50	125.30
May	128.35	128.10	128.50	128.30
Jun	129.70		129.70	
Barley	**Close**	**Previous**	**High/Low**	
Nov	114.45	114.25	114.50	114.45
Jan	118.30	118.05	118.30	118.20
Mar	121.10	120.80		
May	123.20			

Turnover: Wheat 149 (103), Barley 109 (165).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	108.0	107.0	108.0
Jun	109.0	108.0	108.0

Turnover:4 (12) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	134.64	134.26			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 21,015 lots
Cash	1153.5-4.5	1158-9		1158-6.5		
3 months	1180-81	1186-7	1187/1178	1183-3.5	1179-80	135,736 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,939 lots
Cash	1339.5-40.5	1345.5-6	1340/1338	1338.5-9.5		
3 months	1326.5-7	1336-6.5	1330/1323	1328.5-9	1324-5	102,772 lots
Lead (£ per tonne)						Total daily turnover 1,428 lots
Cash	286-7	285.5-86	285.5	285-5.5		
3 months	298-8.5	297.75-8	298.5/297.5	298-8.25	298-8.5	12,984 lots
Nickel ($ per tonne)						Total daily turnover 2,349 lots
Cash	7320-30	7370-80	7300	7290-300		
3 months	7385-90	7440-45	7410/7360	7360-65	7375-80	17,885 lots
Tin ($ per tonne)						Total daily turnover 976 lots
Cash	5530-40	5540-60		5525-35		
3 months	5590-600	5605-09	5600/5590	5590-93	5590-95	4,855 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,678 lots
Cash	1030-2	1009-10	1022/1021	1021-1.5		
3 months	1047-8	1026.5-7.5	1051/1025	1039.5-40	1049-50	30,283 lots

LME Closing £/$ rate:
SPOT: 1.7800 3 months: 1.7557 6 months: 1.7354 9 months: 1.7170

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	354.55-355.05	
Opening	355.25-355.65	
Morning fix	355.30	200.000
Afternoon fix	354.30	199.662
Day's high	355.30-355.60	
Day's low	*354.10-354.40*	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.57	6 months	4.39
2 months	4.57	12 months	4.34
3 months	4.48		

Silver fix	p/fine oz	US cts equiv
Spot	229.25	407.00
3 months	235.05	411.95
6 months	240.75	417.10
12 months	252.20	427.70

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	354.50-355.50	199.75-200.25
Maple leaf	364.50-365.50	205.25-205.75
New Sovereign	86.75-87.75	49.00-49.50

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	70	80	2	14
550	32	32	14	36
600	11	16	43	70
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	38	75	5	18
750	21	69	13	27
775	11	54	28	37

Brent Crude	Dec	Jan	Dec	Jan
2150		70	1	11
2200	9		16	20
2250	6	29		31

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	353.7	354.8	0	0
Dec	354.7	355.8	356.7	354.4
Jan	356.1	357.2	0	0
Feb	357.4	358.4	359.2	357.0
Apr	359.8	360.8	361.4	359.5
Jun	362.3	363.3	363.9	362.7
Aug	365.0	368.0	0	0
Oct	367.6	368.6	0	0
Dec	370.4	371.4	372.0	370.1

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	358.8	365.0	367.5	357.0
Apr	361.6	368.0	369.5	360.0
Jul	364.4	371.8	367.0	367.0
Oct	371.2	378.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	398.5	405.4	0	0
Dec	399.8	406.8	407.5	398.0
Jan	401.4	408.4	0	0
Mar	405.8	412.7	413.5	405.0
May	409.5	416.8	416.0	409.0
Jul	413.1	420.3	421.5	413.5
Sep	417.3	424.5	420.5	420.0
Dec	423.3	430.6	432.0	424.0
Jan	425.6	432.8	0	0
Mar	430.0	437.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	106.20	106.80	106.25	106.00
Dec	105.85	106.45	106.30	105.55
Jan	104.90	106.35	105.10	104.85
Feb	104.40	104.80	104.70	104.40
Mar	103.85	104.20	104.25	103.50
Apr	103.25	103.55	0	0
May	102.70	102.95	103.00	102.70
Jun	102.25	102.45	0	0
Jul	101.85	102.00	102.20	101.90
Aug	101.45	101.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	23.18	23.40	23.59	23.16
Jan	23.01	23.27	23.43	22.98
Feb	22.81	23.08	23.20	22.76
Apr	22.50	22.82	22.60	22.35
May	22.14	22.29	22.38	22.13
Jul	21.71	21.91	21.88	21.73
Sep	21.65	21.63	0	0

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Dec	7005	7102	7155	6995
Jan	7040	7127	7180	7025
Feb	6895	6965	7030	6886
Mar	6575	6635	6685	6575
Apr	6280	6315	6360	6275
May	6085	6110	6150	6085
Jun	5930	5975	6010	5960
Jul	5865	5920	5940	5885
Aug	5935	5960	5965	5930

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1219	1229	1254	1219
Mar	1283	1291	1316	1281
May	1321	1326	1351	1320
Jul	1350	1355	1380	1380
Sep	1381	1386	1405	1401
Dec	1421	1426	1442	1432
Mar	1447	1452	1464	1461
May	1471	1476	0	0
Jul	1494	1499	0	0
Sep	1515	1520	1536	1527

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.10	76.50	77.35	76.50
Mar	81.25	80.60	81.35	0
May	84.05	83.20	84.10	83.30
Jul	86.75	85.60	86.75	86.00
Sep	89.00	88.50	89.00	88.80
Dec	92.85	92.10	92.75	92.25
Mar	96.25	96.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.62	8.57	8.68	8.57
May	8.56	8.51	8.61	8.53
Jul	8.55	8.49	8.58	8.48
Oct	8.51	8.49	8.57	8.49
Mar	8.50	8.45	8.52	8.52

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	59.21	61.56	59.90	59.05
Mar	60.67	62.25	61.80	60.77
May	61.95	63.40	62.20	61.25
Jul	62.00	63.90	62.75	61.75
Oct	63.40	65.15	63.90	63.40
Dec	63.64	0	64.20	63.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	170.00	173.10	173.30	170.00
Jan	174.60	178.25	178.50	174.20
Mar	174.25	178.20	178.00	174.00
May	174.50	177.95	175.50	174.50
Jul	173.90	177.35	175.05	175.00
Sep	173.50	176.55	174.65	173.50
Nov	160.85	163.80	0	0
Jan	160.00	162.95	160.00	160.00
Mar	159.50	162.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.7	Nov.6	mnth ago	yr ago
1630.0	1630.9	1624.3	1697.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.6	Nov.5	mnth ago	yr ago
Spot	112.94	113.09	115.05	123.80
Futures	121.49	122.03	123.14	126.12

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	554/0	567/0	557/4	560/4
Jan	557/0	560/2	561/2	552/2
Mar	564/2	567/2	568/0	559/4
May	571/6	574/4	575/4	569/0
Jul	578/6	580/6	582/0	575/0
Aug	579/6	582/4	583/0	578/0
Sep	573/2	576/4	578/0	573/0
Nov	575/6	577/6	578/4	575/0
Jan	586/0	586/0	586/0	586/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.84	19.00	19.00	18.72
Jan	19.01	19.16	19.15	18.87
Mar	19.35	19.49	19.52	19.23
May	19.65	19.79	19.85	19.58
Jul	19.94	20.06	20.15	19.92
Aug	20.09	20.20	20.28	20.08
Sep	20.23	20.50	20.45	20.22
Oct	20.25	20.48	20.48	20.25
Dec	20.50	20.77	20.77	20.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	180.2	179.5	180.6	178.7
Jan	179.1	178.2	179.3	177.3
Mar	176.9	176.5	177.0	176.3
May	174.8	175.3	175.6	174.0
Jul	174.6	175.2	175.7	174.0
Aug	174.0	175.0	175.5	174.0
Sep	174.0	175.0	175.5	174.0
Oct	185.0	186.5	185.0	184.5
Dec	185.5	187.5	187.0	185.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	245/0	246/4	246/4	244/2
Mar	254/0	255/4	255/6	253/4
May	260/2	261/4	261/6	260/0
Jul	265/2	266/6	266/6	266/6
Sep	258/0	259/0	259/0	259/0
Dec	255/0	256/2	258/2	254/4
Mar	262/2	263/2	263/0	263/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	350/2	357/2	358/0	347/0
Mar	349/2	356/0	355/0	347/0
May	336/0	341/4	342/0	336/4
Jul	319/6	324/0	325/0	319/0
Sep	324/4	326/0	325/6	324/4
Dec	333/0	339/0	339/0	332/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.05	73.55	74.10	73.50
Feb	74.50	73.87	74.67	73.87
Apr	74.02	73.62	74.10	73.58
Jun	70.62	70.62	70.87	70.56
Aug	68.90	68.72	69.10	68.80
Oct	69.60	69.45	69.65	69.40
Dec	70.45	70.45	0	0

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	40.95	40.87	41.20	40.72
Feb	41.87	41.97	42.10	41.77
Apr	39.80	40.10	40.15	39.80
Jun	44.77	44.97	45.05	44.72
Jul	45.07	45.20	45.10	45.00
Aug	43.87	44.00	43.90	43.70
Oct	40.75	40.67	40.85	40.75
Dec	41.30	41.30	41.30	41.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.37	40.82	41.27	40.32
Mar	40.27	40.75	41.15	40.15
May	41.52	41.85	42.25	41.50
Jul	42.55	43.05	42.85	42.25
Aug	41.12	41.40	0	41.12

LONDON STOCK EXCHANGE

Early optimism fades before the close

By Terry Byland, UK Stock Market Editor

A SOMEWHAT cool reception from City analysts for the UK government's Autumn Economic Statement left the stock market waiting nervously yesterday for the outcome of three important by-elections, to be announced overnight. Shares moved ahead at first but lost most of their early gains when the Bank of England appeared to discourage interest rate optimism, at least for the near term.

At the close, the FT-SE Index was only 3.8 points ahead at 2,538. At mid-morning the Index had touched 2,548 points but, with the trading account closing tonight, investors then decided to take profits.

Also negative for equities was a fall in the government bond market where analysts suggested that the increase in government spending announced by Mr Norman Lamont, the chancellor of the exchequer, may eventually imply a total of £30bn of stock to be digested by the gilts market next year.

Account Dealing Dates		
*First Dealings:		
Oct 28	Nov 11	Nov 25
Option Declarations:		
Nov 7	Nov 21	Dec 5
Last Dealings:		
Nov 8	Nov 22	Dec 6
Account Day:		
Nov 18	Dec 2	Dec 16

*New-time dealings may take place from 9.30 am two business days earlier.

Comments on the Autumn statement were hardly encouraging. "Pre-election licence for imprudence," was the heading of the review from Kleinwort Benson Securities; "Wing and a prayer," was offered by UBS Phillips & Drew, and "Spend, Spend, Spend" by Natwest.

The market was active in early trading as hopes for an early cut in base rates resurfaced in the wake of this week's rate cuts in the US. While most analysts expect a further UK base rate reduction to be held back until a general election is in prospect, some noted that the best opportunity for an earlier cut will come a week today, when the latest headline inflation rate is likely to dip below 4 per cent. However, optimism was damped down yesterday by the absence of change in Bundesbank rates and then by the Bank of England's actions in the London money market.

Equity trading was enlivened by several developments on the corporate stage, notably the re-quotation of Maxwell Communication and of Mirror Group, both suspended earlier this week when first reports of Mr Robert Maxwell's death reached London.

As predicted, shares in Maxwell Communication, a component of the FT-SE 100 Index, fell sharply in unexceptional turnover, while Mirror Group advanced, on both trading and bid prospects. The stock market was relieved that Maxwell Communication stock returned to trading without any signs of extraordinary pressure.

Another feature was an increased bid for Hawker Siddeley, although BTR's new terms disappointed some speculators. With the bid still not entirely certain of success, Hawker stock was heavily sold by investors choosing to take the cash immediately. But BTR also ran into heavy selling on the view that another unsuccessful bid attempt would rebound sharply on the company and its management style.

This batch of special situations, together with the unwinding of overnight tax-influenced tax deals, brought the day's Seaq volume total to 571.9m, compared with 561.3m on Wednesday, also boosted by tax deals.

Equity strategists remained divided between those optimistic for a recovery from economic recession in the UK, and those still unconvinced. Mr Nicholas Knight of Nomura Research Institute repeated his bearish stance with the comment, "Is (FT-SE) 2,400 too optimistic?"

FINANCIAL TIMES STOCK INDICES

	Nov 7	Nov 6	Nov 5	Nov 4	Nov 1	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.04	86.74	86.50	86.46	86.56	80.13	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.45	96.24	96.16	96.48	96.54	88.40	97.17 (2/10)	90.58 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1956.7	1949.6	1948.1	1935.3	1952.7	1574.9	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	150.8	153.6	154.7	154.1	161.2	166.1	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2538.0	2534.2	2540.9	2527.8	2549.6	2036.2	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1148.14	1144.62	1149.20	1145.92	1152.35	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.01	5.02	5.02	4.98	4.93	6.08				
●Earning Yld %(full)	7.67	7.69	7.69	7.73	7.67	12.64				
●P/E Ratio(Net)(☆)	16.36	16.31	16.31	16.22	16.36	9.58				
SEAQ Bargns 4.45pm	27,616	23,870	23,894	22,423	23,461	18,087				
Equity Turnover(£m)†	-	1006.34	853.83	574.26	787.75	685.09				
Equity Bargains†	-	22,843	22,774	21,481	21,846	16,899				
Shares Traded (ml)†	-	471.2	451.6	327.1	432.9	343.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.45

Ordinary Share Index, Hourly changes — Day's High 1962.5 — Day's Low 1950.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1950.4	1955.6	1960.2	1962.5	1960.0	1960.1	1960.3	1959.4	1956.4

FT-SE 100, Hourly changes — Day's High 2548.0 — Day's Low 2531.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2533.3	2536.4	2542.1	2548.0	2544.7	2544.6	2543.9	2540.5	2537.2

FT-SE Eurotrack 200, Hourly changes — Day's High 1151.46 — Day's Low 1148.06

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1148.31	1149.26	1149.94	1148.95	1148.94	1149.74	1148.99

GILT EDGED ACTIVITY

Indices*	Nov 6	Nov 5
Gilt Edged Bargains	100.1	94.1
5—Day average	102.2	104.6

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Ultramar on alert again

A BURST of activity in the traded options market yesterday, reminiscent of the heavy dealings in Ultramar traded options before the Lasmo takeover bid was announced, was interpreted as heralding further moves in the Ultramar takeover saga.

Ultramar shares raced higher as rumours of either an increased offer from Lasmo or a counter-bid circulated. An improved bid of 375p was rumoured, with British Gas still being mentioned as favourite to launch a counter-offer.

Ultramar closed 5 stronger at 344p, having touched 349p in mid-session. Turnover, however, was disappointing at 2.6m shares.

The first closing date for Lasmo's one-for-one share exchange offer is Monday. Many analysts expect Lasmo to increase its terms by perhaps 10 per cent and for a marginally higher counter to follow fairly quickly. Lasmo relinquished 4 to 308p.

Hawker active

Hawker Siddeley moved forward after the company's predator, BTR, surprised the market by delivering what analysts believe may be the knockout punch in its bid for the engineering group.

The improved cash and paper offer valued each Hawker share ar 760p at yesterday's opening price. There is a cash alternative of 725p. The shares ended 11 up at 739p, which is 2p above the value of the paper and cash offer, based on BTR's closing price of 386p, down 20.

The new terms surprised the market, which had expected BTR to win control without improving its original bid. One analyst commented: "It is all over now. But they needn't have paid more."

Turnover in Hawker rose to 10m, with BZW reported to have been today's main buyer, offering 753p a share on behalf of BTR. Share volume in BTR jumped to 13m.

Maxwell stocks

Shares in the two companies controlled by the Maxwell family rushed in opposite directions on returning from the trading suspension that was caused by the death of the companies' founder, Mr Robert Maxwell.

Footsie-quoted Maxwell Communication Corporation (MCC) slumped 47 to 74p, the day's lowest point, as market-makers struggled to avoid bidding for stock. Goldman Sachs, which owns around 4 per cent of the company, was conspicuous by its absence from the fray.

Mirror Group Newspapers (MGN) leapt to around 120p at one stage as institutions bought the stock on the perceived earning power of the company. The price was also buoyed by bid speculation, in spite of the controlling interest held by the Maxwells. One theory was that the sale of the majority stake in MGN would help to reduce the more than £2bn debt owed by the Maxwell empire.

The last 10p of the MCC fall took place after the opening of Wall Street. This last twist to the shares' downward spiral affected sentiment in MGN, which ended at 106p for a net gain of 28½.

Turnover in MGN was an extremely heavy 42m shares, representing around 10 per cent of the company's equity in public hands. MCC turnover, at 6.3m, was the highest since July.

Reuters move

Reuters confounded bearish press speculation by announcing the imminent start-up of its automated foreign exchange trading system.

The shares rallied sharply, and an early loss of 3 had been turned into a gain of 22 at 955p by the close. Heavy US buying was said by one trader to have pushed Reuters' American Depositary Receipts briefly past the equivalent of £10 a share.

Mr Brian Newman, who researches Reuters for Henderson Crosthwaite, said the global communications group was about to enter a new growth market based on transaction revenues. The group will initially charge $25 for each foreign exchange transaction on top of its normal rental income. Reuters will automate the spot foreign exchange market, according to Mr Newman.

Fisons setback

In the last hour of dealing, Fisons fell steeply in heavy trade as the company telephoned analysts to ask them to reduce their profits forecasts.

Analysts heard that two drugs which had been suspended from sale in the US – thereby causing an unexpected £10m profits shortfall at the interim stage – would be further delayed from making their full contribution to Fisons' coffers. Brokerage houses lowered their estimates for full-year profits by £10m to £15m to around the £240m mark.

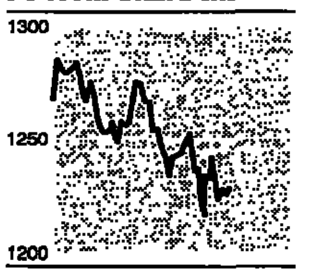
An exasperated analyst said last night: "Fisons continues to apply a Chinese water torture of bad news to its shareholders." The stock retreated 19 to 436p, its lowest level for eight months. Turnover was a hefty 3.9m shares.

Third-quarter figures from BP were below analysts' expectations and triggered a flurry of selling. Immediately after the results the shares fell to 322p from an earlier 331p before closing a net 5 off at 325p. Turnover reached an unremarkable 6.1m.

The figures were considered disappointing by a number of oil specialists, with most saying they would be followed by wholesale downgrades. A full-year figure of £800m for historic cost net income was the general consensus, although long-term bear Strauss Turnbull cut its estimate from £880m to £663m, and said the results gave it no reason to change its stance. Strauss also highlighted the uncovered dividend.

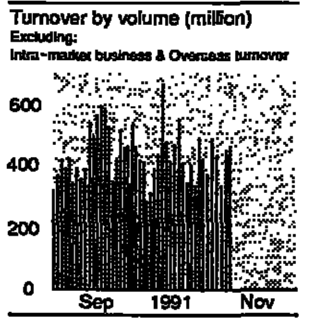
Other oil specialists pointed to the end-quarter gearing of 71 per cent and outflow of £700m. "If crude oil prices do not move in the right direction for BP fairly soon, the group's need for cash may become precarious," said one analyst.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



There was an impressive London market debut for JIB Group, the eighth biggest insurance broker in the world. The shares opened at 215p and moved up 5 before slipping back to close at 213p, a near 10 per cent premium to the 195p offer price At the offer price JIB was valued at £213m.

JIB is the insurance broking arm of Jardine Matheson, the international trading group, which floated 30.2 per cent, or 33m, of JIB's shares. Half of the shares were placed with institutions and the rest offered for sale. The offer was more than four times oversubscribed.

Dealers said the good performance of the shares in initial trading had tempted early profit-taking. Turnover was concentrated in the first hour and totalled 18m shares.

Midland rallied strongly after the downgrade-induced weakness earlier this week, with the shares closing 10 to the good at 231p on turnover of 3.1m.

King & Shaxson's interim figures triggered a steep fall in the shares, which settled 12 lower at 113p. Other discount houses also came under pressure, with Cater Allen finishing 8 off at 380p, Gerrard & National 7 weaker at 280p and Union Discount 5 easier at 260p.

Westbury moved up 5 to 117p, with specialists heartened by the maintained dividend. Barratt Developments edged up 2 to 62p after Sir Lawrie Barratt bought 1m shares.

Pict Petroleum dropped 9 to 97p after news of a £12m rights issue, a two-for-five at 84p, to fund the group's exploration programme.

The prospect of Maxwell Communication Corporation being removed from the FT-SE 100 Index shifted the spotlight to potential replacements. NFC, said to be the strongest contender in terms of market capitalisation, was only 2 up at 220p, but Tomkins and W.H. Smith, which are second and third, both prospered in thin markets. Tomkins picked up 6 to 409p while W.H. Smith "A" appreciated 8 to 475p.

An analyst's forecast cut for profits at Dixons prompted the shares to fall against the trend. The stock finished 8 weaker at 246p.

British Airways added 3¼ at 204p after reporting a 1.2 per cent improvement in scheduled traffic figures for October. BAA firmed 4 to 430p, helped by the same news.

Intense speculation that one house had cut its forecast on Siebe prompted a sharp fall in the shares. Traders said the stock dipped 20 before rallying to close 6 off at 503p. It had been suggested that either UBS Phillips & Drew or James Capel was responsible but both houses strenuously denied the allegations.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	82	433	+18	Cookson	706	114	+1	Lucas	1,700	139	+3	Severn Trent Water	345	328	
ASDA Group	15,000	47	+1	Courtaulds	341	474	+6	MB Caradon	163	252	+2	Shell Transport	2,000	513	+4
Abbey National	4,100	277	+1	Dalgety	189	378	+1	MEPC	478	470	+3	Siebe	2,700	503	-6
Albert Fisher	2,000	87		De La Rue	93	480	+5	Manweb	220	300	+4½	Slough Ests	20	250	+1
Allied-Lyons	1,500	598	+4	Dixons	2,100	246	-8	Marks & Spencer	1,900	294	+3½	Smith (W.H.) A	273	475	+8
Amstrad	1,200	39	+1½	ECC Group	620	481		Maxwell Comms.	6,300	74	-47	Smith & Nephew	3,500	135	+½
Anglian Water	315	389	-2	Eastern Elect.	517	243	+3	Midland Bank	4,300	231	+10	SmKl Beecham	2,800	827	+8
Argos	189	324	+1	East Midland Elect.	445	254	+3½	Midlands Elect.	719	263	+1	SmKl Beecham Uts	36	675	+25
Argyll Group	1,100	273	-2	Enterprise Oil	211	533	+1	NFC	485	220	+2	Smiths Inds.	889	288	+2
Arjo Wiggins	583	272	+1	Eurotunnel Units	736	419		NatWest Bank	5,700	305	+1	Southern Elect.	201	261	+2
Ass. Brit. Foods	65	482	+3	FKI	987	87	-1	National Power	696	155½		South Wales Elect.	357	313	+3
BAA	1,800	430	+4	Ferranti	1,800	8½	-½	Next	8,800	58	+1½	South West Water	349	340	+4
BAT Inds	2,300	838	+8	Fisons	4,200	436	-19	North West Water	261	370	+2	South West. Elect.	308	258	+3
BET	2,600	221	-1	Forte	813	272	+1	Northern Elect.	184	267	+5	Southern Water	30	328	+3
BICC	928	357	+8	Gen. Accident	314	481	+6	Northern Foods	731	525		Standard Chartd	2,400	411	-1
BOC	640	563	+1	General Elect.	1,100	187½	+1½	Norweb	87	278	+1	Storehouse	2,600	109	+4
BPB Inds	402	173		Glaxo	2,800	774	+5	Pearson	383	756	-4	Sun Alliance	280	322	-1
BTR	13,000	386	-20	Glynwed Int.	46	225		P & O	508	510	+4	T&N	225	147	+½
Bank of Scotland	479	117	+2	Granada	2,600	193		Pilkington	1,100	148	-2	TI Group	405	621	+3
Barclays	3,600	387	+1	Grand Met	1,200	851	+4	PowerGen	3,300	163		TSB	1,800	129	+1
Bass	1,100	881	-1	GUS A	40	1392	-1	Prudential	1,600	243	+4	Tarmac	561	157	-1
Beazer	185	110	-1	GRE	3,100	156	-1	RHM	1,600	253	+3	Tate & Lyle	846	374	
Berisford Int.	454	25½	-1½	GKN	372	337½	+½	RMC	34	559	+1	Taylor Woodrow	465	184	+4
Blue Circle	309	237	+1	Guinness	888	522	+2	RTZ	583	580	+6	Tesco	3,000	228	-2
Booker	439	481	+7	Hammerson 'A'	305	609	+4	Racal	1,500	54½	+½	Thames Water	215	374	+5
Boots	798	431	-1	Hanson	7,300	206	-½	Rank Org.	4,200	681		Thorn EMI	851	811	+3
Bowater	29	684	+1	Hanson Warrants	1,200	19¼	-⅛	Reckitt & Colman	1,200	671	-8	Tomkins	1,000	409	+6
Brit. Aerospace	358	362	+1	Harrisons Crosfield	488	148		Redland	1,100	503	-5	Trafalgar House	1,500	243	+5
British Airways	2,800	204	+3¼	Hawker Sidd.	10,000	739	+11	Reed Intl.	2,000	482	-10	Ultramar	2,600	344	+5
British Gas	4,100	254½	-2½	Hillsdown	81	200		Rentokil	31	351	+1	Unigate	985	317	+2
British Land	474	301	-1	IMI	483	234	-3	Reuters	3,600	955	+22	Unilever	1,500	808	+3
BP	8,100	325	-5	ICI	817	1233	-9	Rolls Royce	2,900	136	+1	United Biscuits	1,300	383	+1
British Steel	2,100	116½	-½	Inchcape	508	390	+6	Rothmans	285	1148	-7	Utd. Newspapers	550	393	-2
British Telecom	4,400	362	+2	Kingfisher	358	573	+5	Ryl Bk Scotland	481	173		Vodafone	1,200	369	
Bunzl	3	92		Ladbroke	3,700	251	+2	Royal Insurance	2,900	284	+1	Wellcome	1,300	789	+17
Burmah Castrol	73	568		Land Securities	744	505	+3	Saatchi	1,200	13½	-¼	Welsh Water	653	378	+9
Burton	3,800	44½	-½	Laporte	59	578	-4	Sainsbury	4,000	345	-2	Wessex Water	74	401	+5
Cable & Wire	1,300	545	+8	Legal & General	319	378	+7	Scottish & New	259	394	-1	Whitbread 'A'	1,500	483	+9
Cadburys	889	405	-2	Lloyds Abbey	70	394	+1	Scot. Hydro-Elect.	491	109		Williams Hldgs	387	337½	
Calor Group	106	248	+1	Lloyds Bank	1,800	380	+4	Scottish Power	1,000	106	-½	Willis Corroon	890	287	-6
Carlton Comms.	556	510	+2	LASMO	623	308	-4	Sears	2,700	88		Wimpey	512	160	-1
Coats Viyella	2,200	181½	-1½	London Elect.	482	256	-1	Sedgwick	505	238	+1	Yorkshire Elect.	526	293	+2
Comm. Union	878	468	-1	Lonrho	375	233		Seeboard	158	269	+2	Yorkshire Water	137	390	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

INDEPENDENT traders were reported to have been responsible for the early advance in Footsie futures as they took their cue from Wall Street's modest overnight rise, writes Joel Kibazo.

At its best, the December Footsie futures contract was trading at a premium of 40 to the underlying cash market.

However, profit-takers moved in, focusing on worries about the outcome of yesterday's by-elections and a weak opening on Wall Street. Early gains evaporated and December drifted lower for the rest of the session.

At the close, December stood at 2,571, up a point on the previous session, and 7 above its estimated fair value premium to cash of 26. Turnover reached 5,495 lots.

By-election worries also overhung the traded options, although turnover of 22,676 was up on recent levels.

Ladbrokes was the busiest stock option with a day's total of 1,885 contracts. BTR, which yesterday improved its bid for Hawker Siddeley, was the next busiest with 1,141 lots dealt. Lucas and Barclays Bank were also active.

Dealers talked of an "interesting" trade in the January 260 call series of bid target Ultramar, in which some 1,002 contracts changed hands.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (83).

BRITISH FUNDS (4) Tr. 3pc. 1992, Tr. 2pc. IL 1992, Tr. 2pc. IL 1994, Tr. 2pc. IL 1996, **AMERICANS** (1) Merrill Lynch, **BANKS** (1) Schroders, **BUILDINGS** (1) Gleeson (MJ), **CHEMICALS** (3) Halstead (J), Plysu, Yorkshire Chems., **STORES** (2) Ashley (Laura), Hogg Robinson, **ELECTRICALS** (3) Domino Print Sciences, Druck, Prestwick 7.25pc. Prf., **ENGINEERING** (2) Meggitt, TACE, **FOODS** (3) Cranswick Mill, Dalepak, Farepak, **INDUSTRIALS** (12) Beapak, Boxmore Intl., Capita, De La Rue, Huntleigh Tech., Johnson Cleaners, Kleen-E-Ze, RCO, Shaw (Arthur), Shiloh, Tomkins 6.25pc. Prf., Wellcome, **INSURANCE** (1) Lowndes Lambert, **LEISURE** (2) Airtours, Campari Intl., **MOTORS** (2) Central Motor Auctions, FR, **NEWSPAPERS** (3) Barbour Index, Blenheim, News Intl., **PAPERS** (1) Shandwick, **TEXTILES** (1) SEET, **TRANSPORT** (1) Tibbett & Britten, **TRUSTS** (8) Aberforth Smaller Co's., Close Bros., Gen. Cons. Prf., Murray Split Cap. Zero Div. Prf., Templeton Emg. Mkts., **OILS** (2) Burmah 8.5pc. Ln. '91-96, Pittencrieff, **MINES** (3) Angloval, De Beers, Doral Res.

NEW LOWS (31).

AMERICANS (1) IBM, **CANADIANS** (1) Gulf Canada, **BUILDINGS** (2) Bett Bros., Sherif, **STORES** (3) Alan Paul, Oliver, Do. Rfd., **ELECTRICALS** (2) Feedback, Radius, **ENGINEERING** (2) Verson Intl., WB Inds., **FOODS** (1) Ashley 8.25p Prf., **HOTELS** (1) Principal, **INDUSTRIALS** (4) Gestetner, Hanson Wrrnts., RPS, Waterman Partnership, **INSURANCE** (1) Durham (DG), **LEISURE** (1) Wembley, **NEWSPAPERS** (1) Maxwell Comm., **PROPERTY** (2) Christie Group, Union Square, **SHOES** (1) Stylo, **TRUSTS** (5) Drayton English & Intl. Wrrnts., EFM Java, First Pacific, French Property, Indonesia Equity Fd., **OILS** (1) Pict Petroleum, **MINES** (2) Kenmare, Loraine.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
99⅞	96⅞	Treas 8pc 1991	99⅞xd	.....	8.02	10.23
101½	100⅞	Treas 12¾pc 1992‡‡	100⅞	.....	12.69	9.94
100⅛	97⅞	Treas 10pc 1992	99⅞	.....	10.01	9.98
133⅞	125⅞	Treas. 2pc IL 1992‡‡	133⅞	.....	1.98	7.92
99¼	95⅞	Treas. 8pc 1992 ‡‡	99⅛	+⅛	8.07	9.89
100⅞	98½	Treas 10½pc Cv 1992‡‡	100¼	.....	10.47	9.87
97⅞	91⅞	Treas. 3pc 1992	97⅛xd	+⅛	3.09	7.82
102⅞	100⅞	Exch. 12¼pc '92	101⅛	.....	12.04	9.82
104⅛	102⅞	Exch 13½pc 1992	103	.....	13.11	9.71
98⅛	94	Treas 8¼pc 1993	98⅛	.....	8.39	9.61
100⅛	97⅛	Treas 10pc 1993‡‡	100⅛	+⅛	9.96	9.62
104⅛	102⅞	Treas 12½pc 1993‡‡	104⅛	+⅛	12.00	9.71
95⅛	89⅞	Funding 6pc 1993‡‡	95⅛	.....	6.31	8.85
108⅛	105⅞	Treas 13¾pc 1993‡‡	107¼xd	+⅛	12.82	9.72
97⅞	92⅞	Treas. 8½pc 1994	97⅞	+⅛	8.71	9.66
111⅞	108⅛	Treas 14½pc 1994‡‡	109⅞	.....	13.23	9.74
109	105⅞	Exch 13½pc 1994	108⅛	.....	12.49	9.73
101⅛	96⅞	Treas. 10pc Ln. 1994‡‡	100⅞xd	.....	9.91	9.64
107¼	103⅛	Exch. 12½pc 1994	106½	+⅛	11.74	9.76
98⅞	93⅛	Treas 9pc 1994‡‡	98⅛xd	.....	9.15	9.65
106⅞	102⅞	Treas 12pc 1995	106⅛	.....	11.31	9.70
89	82⅛	Exch 3pc Gas 90-95	89	+½	3.37	6.76
102⅛	96⅞	Exch. 10¼pc 1995	101⅞	+⅛	10.07	9.67
110⅞	105⅞	Treas 12¼pc 1995‡‡	109¼xd	..	11.62	9.75
114⅞	109⅞	Treas. 14pc '96	113⅞	+⅛	12.33	9.96
99⅞	92⅞	Treas 9pc 1992-96‡‡	99⅛	+⅛	9.08	9.26
119⅞	115⅞	Treas 15¼pc 1996‡‡	118⅞	+⅛	12.83	9.94
112⅞	108	Exch 13¼pc 1996‡‡	112⅛xd	+⅛	11.83	9.89
Five to Fifteen Years						
101⅞	95⅞	Conversion 10pc 1996	101¼xd	+⅛	9.88	9.69
101⅞	97⅛	Do. 10pc 1996 B	100⅞xd	.....	10.11	9.68
114⅞	108⅞	Treas 13¼pc 1997‡‡	113⅛	+⅛	11.69	9.88
103⅞	97⅛	Exch 10½pc 1997	103⅛	+⅛	10.19	9.72
96⅞	89⅞	Treas 8¾pc 1997‡‡	96	.....	9.11	9.66
123⅛	117	Exch 15pc 1997	121⅞	+⅛	12.30	10.03
100⅞	93⅞	Exch. 9¾pc 1998	100	+⅛	9.75	9.75
88⅞	80⅛	Treas 6¾pc 1995-98‡‡	88⅞	+⅛	7.64	9.17
128⅞	121¼	Treas. 15½pc '98‡‡	127⅛	+⅛	12.17	9.93
111⅞	104⅛	Exch 12pc 1998	110⅞xd	+⅛	10.85	9.88
100⅞	92⅞	Treas 9½pc 1999‡‡	99½	+⅛	9.55	9.61
113⅛	105⅞	Exch. 12¼pc 1999	112¼	+⅛	10.91	9.89
104⅞	97⅛	Treas. 10½pc 1999	103¾xd	+⅛	10.11	9.78
103⅛	95⅞	Conversion 10¼pc 1999	102½xd	.....	10.00	9.81
97⅞	89⅛	Conversion 9pc 2000‡‡	96⅞	+⅛	9.32	9.63
118⅞	110½	Treas. 13pc 2000	117⅛	+⅛	11.09	9.98
103⅛	94⅛	Treas 10pc 2001	101⅛	+⅛	9.84	9.72
119⅞	113⅛	Treas. 14pc '98-01	118⅞xd	+⅛	11.78	10.03
101⅞	92⅞	Treas 9¾pc 2002	100¼	+⅛	9.73	9.72
104⅛	94⅞	Treas 10pc 2003	102	..	9.80	9.71

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
111	102	Treas. 11½pc 2001-04	109½xd	+⅛	10.50	9.93
62¾	53⅞	Funding 3½pc '99-04	60⅞	-⅛	5.77	8.67
100⅞	90⅞	Conversion 9½pc 2004	98⅞	-⅛	9.65	9.70
60⅞	57⅞	Cv 9½pc 2004 A (£60pd)	58⅞	-⅛	9.63	9.70
100⅞	90⅞	Conversion 9½pc 2005	98⅞	-⅛	9.63	9.69
121⅞	111	Treas. 12½pc 2003-05	119¼xd	.....	10.48	9.77
88⅞	79⅞	Treas. 8pc 2002-06‡‡	86⅞	-⅛	9.21	9.68
Over Fifteen Years						
115⅞	105⅞	Treas. 11¾pc 2003-07	113⅛	.....	10.36	9.75
93⅞	84⅞	Treas 8½pc 2007 ‡‡	91¼	.....	9.32	9.60
129⅛	118⅞	Treas. 13½pc '04-08	126⅞	-⅛	10.67	9.76
98	88⅞	Treas. 9pc 2008 ‡‡	95⅝	-⅛	9.41	9.53
89⅞	80	Treas 8pc 2009	87	-⅛	9.20	9.53
97⅞	88⅞	Conv 9pc Ln 2011 ‡‡	95⅞	+⅛	9.43	9.52
98⅛	91⅞	Cnv. 9pc 2011 A	95⅞	+⅛	9.51	9.55
66	58⅞	Treas. 5½pc 2008-12‡‡	64⅞	-⅛	8.57	9.47
85⅞	76⅞	Treas. 7¾pc 2012-15‡‡	83⅛	-⅛	9.30	9.54
125¼	113⅞	Exch 12pc '13-'17	122⅞xd	+⅛	9.80	9.55
Undated						
41¼	37⅞	Consols 4pc	40¾	+⅛	9.82	-
37¼	33⅞	War Loan 3½pc‡‡	36½xd	+⅛	9.59	-
60⅞	57¼	Conv 3½pc '61 Aft.	59⅞	+⅛	5.85	-
30⅞	28¼	Treas 3pc '66 Aft.	30xd	+⅛	10.00	-
26⅞	23⅝	Consols 2½pc	25½xd	+⅛	9.80	-
26⅞	23⅞	Treas. 2½pc	25¼	+⅛	9.90	-

Index-Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or –	(1)	(2)
122⅞	115⅞	Treas. 2pc '94	(102.9)	122⅞xd	+⅛	2.57	3.57
176⅞	168⅞	Do. 2pc '96	(67.9)	176⅞	+⅛	3.37	3.91
145⅛	137⅛	Do 2½pc '01	(78.3)	144⅞	-⅛	3.87	4.17
140⅞	133	Do 2½pc '03	(78.8)	140¼xd	-⅛	3.95	4.20
143	135	Do. 2pc '06	(69.5)	142¼	-⅛	4.03	4.24
130⅞	124⅛	Do. 2½pc '09	(78.8)	130⅞xd	.....	4.06	4.25
135	128⅛	Do. 2½pc '11	(74.6)	134⅞	.....	4.07	4.25
111⅛	105⅛	Do 2½pc '13	(89.2)	110⅞	.....	4.08	4.24
118¼	113⅞	Do. 2½pc '16	(81.6)	118	.....	4.08	4.23
113⅞	109½	Do. 2½pc '20	(83.0)	113⅛xd	.....	4.09	4.22
95¼	91¼	Do 2½pc '24‡‡	(97.7)	93¼	.....	4.08	4.20

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1991: 130.9 and for September 1991: 134.6.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
107⅞	95⅞	African Dv Bk 11¼ Ln 2010	105⅞	-⅛	10.56	10.45
102¾	91⅞	Asian Dev Bk 10¼ pcLn2009	100⅞	..	10.20	10.21
116¼	105⅞	Int-Am Dev Bk 12½pc 2003	113⅞	-⅛	10.98	10.35
97⅞	86¾	Do. 9¼pc Ln 2015	95⅛	-⅛	10.25	10.30
125	101	Utd Mexican States 16½pc 2008	124½	+¼	13.25	12.89

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104½	100½	Birmingham 11½pc 2012	104	[illegible]	11.06	10.99
98⅞	93½	GLC 6¾pc 199[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
119½	110½	Leeds 13½pc 2006	[illegible]	[illegible]	[illegible]	11.08
31	28	Liverpool 3½pc [illegible]	[illegible]	[illegible]	[illegible]	
27½	26	LCC 3pc '20 Aft	[illegible]	[illegible]	[illegible]	
105½	97½	Manchester 11½pc 2007	[illegible]	[illegible]	[illegible]	10.90

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
97½	84½	Sth Rhod. 87-92 Assd	97½	..	4.62	

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
106	102	N'wide Anglia 3¾pc Ln 2021	106	..		5.39
107¼	104	Do 4.25pcIL '24	107¼	+¼		5.06

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr 3pc 'B'	52½	+¼	5.71	10.02

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	..	3.50	17.00
50	50	Do 6pc 28 Stb Ass.	50	..	3	16.00
50	50	Do 4pc Mixed Ass.	50	..	2	14.00
55	55	Hung '24 Ass	55	..	2.75	13.57
133⅞	120⅞	Hydro Quebec 15pc 2011	131¼	-⅛	15.0	11.07

Continued on next page

APPOINTMENTS

Finance director for Thorn EMI

THORN EMI, the television rental and music group, has appointed Simon Duffy as group finance director. Duffy, 41, will take up his position at the beginning of February next year.

An Oxford graduate with an MBA from Harvard, he has been operations director at United Distillers, the spirits company of Guinness since 1989. His career includes a spell as a merchant banker with N M Rothschild as well as periods in the oil industry with Shell International, management consultancy with Bain and Company and Consolidated Gold Fields.

His appointment will come as a relief to Michael Metcalf, who has been combining the job of head of Thorn EMI's rental activities with the role of finance director for some months.

City analysts in the brewing sector have a high regard for Duffy who is said to combine intelligence and ability with openness and a willingness to help and explain. "He knows his way around the figures very well," says one.

Electronic analysts also welcome his appointment; they argue that Thorn EMI has some way to go in sorting out its corporate strategy. Duffy's experience of consumer industries should prove beneficial.

Holmes Protection resignation

AS THE effects of the brazen boardroom coup on HOLMES PROTECTION GROUP, the US-based security company, filter through, Peter Jones, a director from the now largely ousted previous management, resigned yesterday.

Two months ago, Jones had maintained that he and Tom Mayer, who lost his non-executive chairmanship in the upheaval, felt a "moral obligation" to stay on – but Jones says that his attempts to secure a future for long-serving staff have been largely fruitless.

Mayer, who with Jones was brought in by a group of institutional shareholders just a year ago, is also expected to resign.

Eric Kohn, a previously little-known maverick deal-maker, wrested control of the board of Holmes Protection, which is listed in London, in September.

He had managed to persuade other institutional investors, including Scottish Amicable and AGF, the French insurance group, that the debt-laden company had a brighter future.

Jones comments that he had been kept almost completely in the dark about Kohn's plans since September. "It was like being a member of the old supreme Soviet," he says.

Keeping a weather eye

Professor Julian Hunt of Cambridge University is to succeed Sir John Houghton as chief executive of the UK METEOROLOGICAL OFFICE.

The Met Office is traditionally headed by a distinguished scientist brought in from the academic world (Sir John had been an atmospheric physicist at Oxford University) and Hunt fits the pattern well.

As professor of fluid dynamics at Cambridge, he has specialised in studying the turbulent and unpredictable flow of gases and liquids – good preparation for predicting the behaviour of the atmosphere.

In addition to scientific excellence, Hunt has political experience which may come in useful in his highly exposed position as Britain's chief weatherman. Whenever the public and media think the Met Office has failed to forecast a storm or blizzard, Hunt will receive a barrage of insults worse than anything he might have experienced as leader of the Labour group on Cambridge City Council in the early 1970s.

His commercial experience, as a director since 1986 of Cambridge Environmental Research Consultants, will help to prepare him for the Met Office which is putting increasing emphasis on selling forecasts to business and industry.

Movements in finance

■ James Dawnay is joining MARTIN CURRIE INVESTMENT MANAGEMENT as director of corporate development from Mercury Asset Management.

■ Tim Worlledge and Trevor Inglis are joining WILLIAMS de BROE's corporate finance department from ANZ Merchant Bank.

■ Michael Woodall is appointed group president-Europe, BENEFICIAL MANAGEMENT CORPORATION and ceo of Beneficial Bank.

■ Mark Leather and Michael Leather are joining RATHBONE BROTHERS as investment directors.

■ Robert Poldermans has joined DFC as a director from Standard Chartered.

■ BANK OF IRELAND MORTGAGES has promoted Paul Howard to its sales director.

■ Tony Kay is appointed a director of CHARTERHOUSE TILNEY.

■ Chris Peters is appointed md of TOWRY LAW (General Insurance).

■ Philip Higgs joins TOUCHE REMNANT as national sales manager from Prolific Unit Trusts.

■ MAYFLOWER BROKERS announce the appointment of Rodney Bignell as joint md and Peter Benjamin, Jim Brown and John Goddard as directors.

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34½	20⅞	Abbott Laboratories‡	33½xd	+¼	$1.00	–	1.7
385p	218p	♦Allegheny & W 1c	218p	.....	30c	–	7.7
10¼	667p	Amdahl 5c	915pxd	+49	10c	–	0.6
42¼	25¼	Amer Cyanamid $5	35¼	–⅛	$1.50	–	2.4
17⅞	9⅛	Amer. Express 60c	10⅞xd	–⅛	$1.00	–	5.5
24½	15¼	American T & T. $1	21⅝xd		$1.32	–	3.4
38⅞	32½	Ameritech $1	35¼	+⅝	$3.40	–	5.4
26⅛	12⅛	BankAmerica $1⅛	22⅛xd	–⅛	$1.20	–	3.1
38⅛	20⅛	Bankers N.Y. $1	35⅝xd	+⅛	$1.52	–	7.7
30½	24⅛	Bell Atlantic $1	25⅛xd	.....	$2.52	–	5.5
31¼	25	BellSouth Corp	27¼	+⅛	$2.76	–	5.6
11¼	6⅞	♦Bethlehem Steel $8	8⅛xd	–⅛	40c	–	2.7
1839p	1046p	Bowater Inc	1210p	+20	$1.20	–	5.6
54⅛	37⅛	CPC Intnl. 25c	46⅛xd	+⅛	$2.00	–	2.4
930p	420p	California Engy	834p	.....	–	–	–
50	28¼	Campbell Soup 15c	44⅞xd	+1⅛	$1.16	–	1.5
12¼	5⅞	Chase Manhattan $12½	10¼xd	–⅛	$1.20	–	6.8
9⅞	5½	Chrysler $6¼	7xd	–⅛	60c	–	4.8
10⅛	5⅞	Citicorp $1	6⅞xd	–⅛	–	–	–
26⅝	21⅛	Colgate-Palmolive $1	23xd	–⅛	$1.06	–	2.6
928p	438p	Cont'l Bank Corp $4	549p	–29	60c	–	6.1
21⅝	13⅛	Dana Corp. $1	14¼xd	–⅛	$1.60	–	6.1
1262p	203p	Data General	957p	+41	–	–	–
25⅝	12⅞	Dial Crop. $1.5	24⅞xd	+⅛	$1.40	–	3.2
29⅞	20⅛	Dun & Bradstreet $1	27⅞	+⅛	$2.16	–	4.4
40	24¼	Eaton Corpn. 50c	33⅛	+⅛	$2.20	–	3.7
8½	5½	Echlin Inc	6⅛xd	.....	70c	–	5.7
20¼	14⅛	FPL Group 1c	19½xd	–⅛	$2.40	–	6.9
30⅞	17⅞	Fluor Corp 62½c	24⅞xd	–⅛	32c	–	0.7
23⅝	13⅛	Ford Motor $1	14⅛xd	+⅛	$1.60	–	3.8
46⅛	28⅛	Gen Elect. 63c	38⅛xd	+⅛	$2.04	–	3.0
45⅝	20⅞	Gillette $1	23⅛xd	+⅛	62c	–	1.5
20⅞	794p	Hasbro Inc 50c	19⅞	.....	24c	–	0.7
38½	21⅛	Honeywell $1½	32⅛xd	.....	$1.50	–	2.6
23¼	17⅞	Houston Inds.‡	22⅛	+⅛	$2.96	–	7.5
72⅛	54⅛	IBM Corpn $1¼	54⅛xd	–⅛	$4.84	–	5.0
32½	18⅛	Ingersoll-Rand $2	29⅛xd	–⅛	$1.32	–	2.5
28¼	16⅝	Lockheed Crpn. $1	25½xd	.....	$2.00	–	4.4
2155p	1245p	Lowe's 50c	1506p	–9	56c	–	2.1
18⅞	9½	Manuf. Hanover $1	15¼xd	+⅛	♦$3.28	–	11.7
30⅞	10⅛	Merrill Lynch $1	30⅛xd	+⅛	$1.00	–	1.8
38¼	21⅛	Morgan (JP) $2½	35⅞xd	–⅛	$1.98	–	3.1
44¼	25⅞	Morris (Philip)	38⅛xd	–⅛	$2.10	–	3.0
46⅝	39	NYNEX $1	44⅛	+⅛	$4.56	–	5.8
89p	15p	♦Pac. Agricultural	23½p	.....	–	–	–
23⅛	11⅞	Pall Corp. 25c	20⅞	+⅛	h44c	–	1.2
46⅛	33¼	Pennzoil 83 1/3c	35⅞xd	–⅛	$3.00	–	4.8
40½	24⅞	Quaker Oats $5	36⅞xd	–⅛	$1.72	–	2.7
27⅛	16½	Rep NY Corpn $5	24¼	.....	$1.00	–	2.3
17⅝	12¼	Rockwell Intl $1	15⅛xd	+¼	86c	–	3.4
25⅝	12⅛	Sears, Roebuck 75c	20¾xd	+⅛	$2.00	–	5.4
34½	25⅝	Southwestern Bell $1	33¼xd	+⅛	$2.84	–	4.7
20¼	14⅛	Sun Co. Inc. $1	16¼xd	–⅛	$1.80	–	6.3
27¼	20⅛	Tenneco $5	20¼xd	.....	$1.60	–	4.3
40½	29⅛	Texaco $6.25	36½xd	–⅛	$3.20	–	4.9
26¼	15⅛	Texas Instr. $1	17¼xd	.....	72c	–	2.4
°64½	37⅞	Time Warner $1	49⅛xd	–⅛	$1.00	–	1.1
16⅝	8⅞	TRINOVA Corp	11⅛xd	–⅛	68c	–	3.4
555p	250p	♦Unitab	555p	.....	–	–	–
29⅝	22⅛	Utd Technologies	27⅛xd	+⅛	$1.80	–	3.7
92p	42p	♦Utilitech Inc	82p	.....	–	–	–
23	18¼	US West‡	20⅛	+⅛	$2.08	–	5.8
162p	87½p	Varity Corp‡	114p	–1	$1.30	–	–
24⅞	16⅝	Waste Management $1	20⅛xd	–⅛	44c	–	1.2
2346p	1053p	Whirlpool $1	1984p	+26	$1.10	–	3.1
20⅛	13½	♦Woolworth $3½	14¼	–1⅛	$1.08	–	4.1

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
£6¼	£3⅝	Hecla Gold Mines..	£5	...	Q20c	-	2.2
£11⅛	£7⅛	Homestake Mining $1 ..	£8½	+⅛	Q20c	-	1.3
61	30	‡‡Ivernia West. .. ψ	51	-1	-	-	-
46	33	‡‡Kells Mins. Ir5p . ψ	42	.....	-	-	-
25	6½	‡Kenmare Ir5p. .... ψ	6½	-1	-	-	-
18	15	‡‡Nanan Resources...ψ	16	....	-	-	-
99	52	Northgate Expl. C$1.	60	....	-	-	-
16	5	North West Exp.. . .	5	-1	-	-	-
188	82	Oryx Gold Hldgs ..	116	....	-	-	-
23	10	‡‡Ovoca Gold IR 2p..ψ	11	..	-	-	-
44	17	Plateau Mining 20p... β	18	..	-	-	-
605	404	RTZ 10p. . ... .α	553	+6	19.5	1.7	4.7
11	3¼	♦Thorco Res Inc.‖....	8	..	-	-	-
10	2	♦Vizcaya Hldgs 5p.. β	2½	..	-	-	-
152	31	♦Wstrn & Pac Res‖.	47½	..	-	-	-
133	111	♦Young Group 10p. β	111	....	5.2	1.8	6.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim, reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	635	..	
Finlay Pkg. 5p.... α	45	.....	
Holt (Jos) 25p .. β	2020	.....	

IRISH

Cap. 8½% Ln. 2010 ..	£95¼	+¼
9pc Cap Ln. 1996..	£98½	.....
Fin. 13% 97/02..	£114	..
Arnotts..	185	-5
Helton Hldgs.. ....ψ	33	.....
IRG	123½xd	.....
United Drug.......	178	.. ....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons.	50
Amstrad.	6
Astec (BSR)	5
BAT	53
BOC Grp.	48
BTR	33
Barclays	34
Blue Circle.	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons.	42
Comm Union	40
Courtaulds	38
Eurotunnel.	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen.	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk.	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	35
Ratners	12
Reed Intnl	36
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs.	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Lonrho	28
RTZ	46

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	116 6	116 6	123 6	+0 5	9 30
High Inc Equity	6	131 5	134 8xd	143 4	+0 5	5 93
Worldwide Bond	6	208 8	208 8xd	221 3	+0 6	6 78
Capital Growth						
American Growth	6	198 5	198 5	212.0	+0 8	1 06
Asian Pacific	6	112 9	121 3	129 0	+1 2	1 22
Assets & Earnings	6	181 0	184 2xd	196 5	+0 8	3 05
Capital Reserve Acc	0	110 0	110 0	110 0		6 90
Capital Reserve Inc	0	87 01	87 01	87 01	+0 01	6 90
Commodity & Energy	6	73 54	73 54	78 65	-0 05	1 73
1992 Enterprise	6	65 46	65 46	70 01	+0 21	2 94
Euro Capital Acc	6	85 84	85 84	91 80	+0 15	1 13
Euro Capital Inc	6	82 02	82.02	87 72	+0 15	1 14
General	6	174 6	174 6	186 7	+0 7	2 68
Japan	6	99 86	101 0xd	107 4	-0 6	–
Mastertrust	6	90 80	90 80	97.11	+0 14	2.64
UK Growth Acc	6	172 4	172 4	184 3	+0 4	2 16
UK Growth Dist	6	109 6	109 6xd	117.2	+0 2	2.20
US Emerging Cos	6	73.38	73.38	78 48	+0.24	–
Income & Growth	6	301 5	301 5xd	322 4	+1 8	4 34
Ethical	6	53 86	53 86	57 60	+0.23	2 71
International	6	62 34	63 16	67 19	-0 06	1 31
Dividend & Growth	6	49 31	50.53	53 75	+0 24	5 58
Global Gwth & Sec	6	52 65	52.89	56 26	-0 16	5 09

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

UK Small Cos	0	112.0	112 0	117 0	+1 0	0

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

[illegible]

Bishopsgate Progressive Mgmt Co (1200)F
15 St James Place London SW1A 1NW 071-493 8111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	18 41	18 41	19 43		[illegible]
Progressive Acc	5	27 74	27 74	29.28		[illegible]
International Inc	5	19 33	19 55	20 63		[illegible]
International Acc	5	26 23	26 52	27 99		[illegible]
Can & Foreign Inc	5	226 9	226 9	239 5	-3 2	[illegible]
Can & Foreign Acc	5	271 2	271 2	286 2	-3 9	[illegible]
Special Sits Inc	5	205 9	205 9	217 3		[illegible]
Special Sits Acc	5	223 6	223 6	236 0		[illegible]
PEP Inc	5	132 2	136 1	143 6		[illegible]
PEP Acc	5	141.2	145 3	153 3		[illegible]
Growth Inc	5	78 66	78 66	83 02	-0 22	[illegible]
Growth Acc	5	79 46	79 46	83 86	-0 83	[illegible]

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St London EC1A 9DE 071-236 5441

Dolphin Special Sits	5¼	124 0	124 0	132 6	+0 1	[illegible]
Dolphin Overseas	5¼	57 70	57 70	61 71	+0 07	[illegible]
Dolphin Inc Inc & Gth	5¼	156 1	156 1	166 9		[illegible]
Dolphin UK & Gen	5¼	35 12	35 12	37 56	-0 06	[illegible]
Crane Fed al Fds	5¼	47 41	48 45	51 81	-0 19	[illegible]

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

Balanced Growth	6	78 09	79 28xd	84 77	+1 18	[illegible]
Do (Accum)	6	83 63	84 88	90 78	+1.26	[illegible]
Service Cos	6	67 51	67 51xd	72 21	-1 45	[illegible]
Do (Accum)	6	71 70	71 70	76 68	-1.54	[illegible]
Income Growth	6	42 71	42 71	45 68	+0 43	[illegible]
Do (Accum)	6	60 13	60 13	64 31	+0 61	[illegible]
Higher Yield	6	32 06	32 06xd	34 29	-0 34	[illegible]
Do (Accum)	6	41 07	41 07	43 92	-0 44	[illegible]
American Gth Inc	6	33 91	33 91	36 26	+0.21	[illegible]
Do (Accum)	6	34 55	34 55	36 95	+0 22	[illegible]
European Growth	6	24 57	24 57	26 28	-0 09	[illegible]
Do (Accum)	6	25 26	25 26	27 01	-0 10	[illegible]
Global Bond Inc	6	23 08	23 15	24 76	-0 05	[illegible]
Do (Accum)	6	26 67	26 76	28 62	-0 06	[illegible]
Managed P folio Inc	6	25 47	25 55	27 33		
(Do Accum)	6	25 47	25 55	27 33		

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4

[illegible]

London & Manchester Tst Mgmt (1000)H
Winslade Park Exeter EX5 1DS 0392 282673

American	6	42 51	42.70	45 62	-0 02	1 4
General	6	65 48	65 91xd	70 72	+0 37	3 9
Income	6	51 59	52 53	56 36	+0 26	6 4
International	6	42 97	43 41	46.58	-0 25	1 7
Japan	6	40 43	40 82	43 80	-0 37	0 0
Tst of Inv Trusts	6	42.34	43 21xd	46 36	+0 02	2 6

M & G Securities (0915)H
Three Quays, Tower Hill EC3R 6BQ.
Cust Services 071-626 4588 Unit Dealing 0245 266266

Amer & General	5	276 81	276 9	292.7	-0 9	0 8
(Accum Units)	5	339 47	339 5	358 9	-1 2	0 9
Amer Recovery	5	264.97	265 0xd	280 2	-1 1	0 68
(Accum Units)	5	301 85	301.9	319 2	-1.3	0 68
Amer Smlr Cos	5	79 16	79.20	83 80		–
(Accum Units)	5	80 88	80 90	85 60		–
Australasian	5	109 41	109 5	115 8	-0 7	1 42
(Accum Units)	5	128 66	128 7	136 1	-0 9	1 48
Capital	5	510 9	510 9	540.3	-1 0	4 31
(Accum Units)	5	539 36	539 4	570.5	-1 0	4 31
Charifund	1	519 42	529 4xd	534 7		6 78
(Accum Units)	1	1971 15	2009 2	2029.3		6 78
Commodity	5	240 89	240.9	254 8	-0 1	2 16
(Accum Units)	5	344 33	344 4	364 3	-0 1	2.16
Compound Growth	5	659 81	659 9	697 8	+0 5	4 26
Dividend‡20-11	5	28 52	28 70	30 70		6 06
(Accum Units)‡20-11	5	102 81	103 5	110 7		6 06
Equity Income	5	240 21	242.1	259 0		6 63
(Accum Units)	5	262 93	264 9	283 4	-0 1	6 63
European	5	312 79	315.6	333 7	+0 3	1.51
(Accum Units)	5	385 85	389 4	411 7	+0 4	1 51
European Dividend	5	48.21	48 60	51 40		5 5
(Accum Units)	5	51 71	52.10	55 10	-0 1	5 5
Extra Yield	5	313 92	319 7	338 1	+0 1	6 41
(Accum Units)	5	848.17	863 8	913 5	+0.1	6 41
Far Eastern	5	185 22	188 1	198 9	-0.1	0 99
(Accum Units)	5	239 66	243.5	257 4	-0 1	0 99
Fund of Inv Tsts	5	397 82	407.3	430 7	-0 3	2 86
(Accum Units)	5	694.87	711.5	752.4	-0 4	2.86
General ‡(20-11)	5	46 42	46 50	49 20	+0 1	4 93
(Accum Units ‡20-11)	5	114 82	114 9	121 6	+0 3	4 93
Gilt Income	5	58.65	58.70	61 60	+0 1	9 48
(Accum Units)	5	129.36	129.6	136 0	+0 3	9 48
Gold	5	35 29	35 30	37.30	-0.1	2.06
(Accum Units)	5	40 50	40 50	42 80	-0 2	2.06
High Income‡(20-11)	5	20.77	20 80	22.00		6.36
(Accum Units)‡(20-11)	5	70.86	70 90	75.00		6.36
Intl Growth‡(20-11)	5	52.95	53.30	56 40	-0 1	1.02
(Accum Units)‡(20-11)	5	90 26	90 80	96 10	-0.2	1 02
International Inc	5	67 63	68.20xd	72 10	+0.1	5.9
(Accum Units)	5	88 43	89.20	94.30	+0.1	5 9

Midland Personal Pension Unit Trust *

British	6	72.92	73 88	78 60	+0 46	2 91
European Growth	6	62.68	62 75	66 76	+0 02	1 02
Gilt & Fixed	6	63 34	63 34	67 22	+0 23	9 43
Income	6	62 57	63 69	67 76	+0.31	4.81
Japan Growth	6	39 22	39 43	41 95	-0 42	–
Managed	6	54 92	55 71	59 27	-0 23	1 86
Money Market	6	70 91	72 91	75 17	+0 25	9 97
North American	6	59 02	59 63	63 44	-0 26	1 58

Midland FSAVCS Unit Trust *

British	6	66 56	67 42	71 72	+0 42	2 91
European Growth	6	59 23	59.30	63 03	+0 02	1.02
Gilt & Fixed Int	6	60 31	60 31	64 01	+0 22	9 42
Income	6	61 62	62 71	66 71	+0 30	4 78
Japan Growth	6	39 26	39 46	41 98	-0 41	–
Managed	6	52 55	53 31	56 71	-0 22	1 87
Money Market	6	65 78	65 78	69 72	+0 04	9 98
North American	6	56 41	56 93	60 56	-0 22	1 59

Midland Executive Pension Unit Trust *

British	6	67 61	68.50	72 87	+0 45	2.91
European Growth	6	58 16	58 22	61 94	+0 02	1.02
Gilt & Fixed Int	6	58 00	58 00	61 56	+0 22	9 44
Income	6	61 86	62 98	67 00	+0 30	4 85
Japan Growth	6	40 04	40 25	42 82	-0 42	–
Managed	6	56 02	56 82	60 44	-0 22	1.87
Money Market	6	63 84	63 84	67 67	+0 04	10 01
North American	6	60 33	60 93	64 82	-0 25	1 59

* On a switch, units will be priced at bid price.

For MIM Britannia see INVESCO MIM

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

American Gwth	5¼	165 0	165 0	176 2	-0 2	0 80
European Gth Inc	5¼	198 8	198 8	211 7	+1.7	0 00
European Gth Acc	5¼	198 8	198 8	211 7	+1.7	0 00
Intl Gwth	5¼	143 8	143 8xd	152 9	+0 2	0 00
UK Equity Inc	5¼	115 3	115 3xd	123 6	+0 3	4 36
UK Equity Acc	5¼	132 9	132 9xd	142 5	+0 3	4 36
UK Ind Tracker Inc	5	122 7	122 7	130 9	+0 4	3 76
UK Ind Tracker Acc	5	133 4	133 4	142 3	+0 4	3 76
US Eq Ind Tracker Inc	5	139 4	139 4	149 5	+0 5	3 02
US Eq Ind Tracker Acc	5	144 8	144 8	155 3	+0 5	3 02
Japan Tracker	5	63 27	63 27xd	67 09	-0 65	0 00
Asian Trader	5¼	80 43	80 43xd	86.27	+0 26	1 82
Managed Inc	5¼	100 4	100 4	107 9		1 92
Managed Acc	5¼	102 0	102 0	109 6		1 92
Cash Inc	0	100 61	100 61xd	100 61	+0 02	10 54
Cash Acc	0	111 85	111 85xd	111 85	+0 03	10.54
Europa	5¼	103 8	103.8	111 1	+0 1	0 00
Gemini		–	–	–		–

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Acumen	5	69.98	70 26	74 99	+0 34	4 76
Acumen Reserve	3	66 07	66 07	68.04		9.72
American Income	5	129 02	129 10	136.80	-0.10	3 07
Equity Income	5	82.36	82.36	87 89	+0 16	5 66
European	5	53 06	53.06	56 62	+0 09	1 25
Far Eastern	5	108.17	108 20	115 40	+0 10	1 35
Smaller Cos	5	48.35	48 35xd	51.60	+0 03	2 78
Olympiad	5¼	46 73	46 73	49 87	-0 22	0 68
Olympiad Income	5¼	43 53	43 53xd	46 44	+0 03	5.30
UK Growth	5	75.93	76.58	81 73	+0 19	1 27

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Cur... an... ...ls charged at 48p per minute peak ... Code Booklet ring (071) 925-2128.

جكما عنه الأصل

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.56	49.56xd	50.05	+0.01	10.6
Cntrl'd Primece	5½	48.58	48.90	52.16	+0.07	9.20
Ethical	5¼	49.30	50.23	53.44	+0.10	4.68
European Growth	5½	46.82	46.82	49.94	-0.04	2.8
Income	5½	46.86	47.33	50.49	+0.20	7.44
Intl Growth	5½	63.75	64.21	68.49	+0.14	3.36
Managed	5½	58.20	58.88	62.81	+0.17	4.53
UK Growth	5½	51.35	51.98	55.44	+0.20	5.54
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	195.8	198.2	206.4	+0.7	2.98
Do Income	3	186.9	189.2	197.0	+0.7	2.98
Standard Life Tst Mngmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	35.74	35.74	37.98	-0.1	2.60
UK Equity Gth Acc	5¼	47.98	48.93	51.99	-0.1	2.08
UK Eq High Inc Inc	5¼	32.26	32.96xd	35.02	-0.2	5.64
UK Eq High Inc Acc	5¼	36.27	37.06	39.38	-0.2	5.64
UK Equity Gen Acc	5¼	45.97	46.73	49.66	-0.1	3.31
UK Equity Gen Inc	5¼	35.97	36.57xd	38.86	-0.1	3.31
UK Larger Cos Acc F	7¼	300.6	304.7	330.7	-0.4	4.45
UK Larger Cos Inc F	7¼	242.1	245.4xd	266.3	-0.3	4.45
Gilt & Fxd Int Inc	5¼	27.45	27.52xd	29.11	+0.1	7.68
O'seas Larg Cos Acc F	7¼	212.3	216.4	234.8	-0.3	2.17
Nth American Acc	5¼	33.99	34.19	36.33	+0.1	0.75
Far East Acc	5¼	41.84	42.91	45.60	+0.1	0.23
European Acc	5¼	33.13	34.86	37.04	.....	1.61
Stewart Ivory Unit Tst Mngrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	282.5	282.5xd	301.7	-0.8	1.38
(Accum Units) ♥	5	332.5	332.5	355.1	-0.9	1.38
British	5	809.7	819.7	867.2	+3.0	5.99
(Accum Units)	5	1330.3	1346.7	1424.8	+5.0	5.99
European	5	313.8	313.8xd	334.1	+0.7	1.44

[illegible]

Funds in Court — [illegible]

Henderson Unit Trust Management Ltd — [illegible]

INVESCO MIM Management Ltd — [illegible]

Lazard Brothers & Co. Ltd — [illegible]

Lazard Investors Ltd — [illegible]

Local Authorities Mutual Invest. Tst — [illegible]

M & G Securities Ltd — [illegible]

INSURANCES

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Century Life Plc				
2 Eyre Street Hill, London EC1R 5AE 071-278 4488				
City Of Edinburgh Life Assurance				
Life Funds				
Far East Emerg Econ	36.2	38.0	+0.1	-
Fund of Inv Tsts	59.5	62.4	+0.1	-
Money	154.9	162.7	....	-
Special Situations	85.4	89.6	+0.4	-
UK Growth	129.5	136.0	+0.6	-
World Growth	119.9	125.9	...	-
Pension Funds				
Fund of Inv Tsts	133.3	140.0	+0.1	-
Special Situations	126.3	132.6	+0.6	-
UK Growth	216.3	227.1	+1.1	-
World Growth	148.3	155.7		-
UK Life Assurance				

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	Bid Price	Offer Price	+ or -	Yield Gross
Eagle Star Life Assurance Co Ltd				
Bath Road, Cheltenham GL53 7LQ 0242 221 311				
Secure Fund	152.2	160.3	...	-
Blue Chip Fund	186.2	196.0	+0.2	-
Performance Fund	182.6	192.3	-0.2	-
Adventurous Fund	165.1	173.8	-0.4	-
Blue Chip Fd (2nd Series)	117.8	124.0	+0.2	-
Performance Fd (2nd Ser)	115.9	122.1	-0.1	-
Adventurous Fd (2nd Ser)	121.5	127.9	-0.3	-
UK Pref & Fixed Int Fd	114.8	120.9	+1.1	-
UK Equity Fund	115.9	122.1	+0.5	-
Property Fund	100.8	106.2	..	-
Environmental Opps Fd	114.7	120.8		-
European Fund	103.4	108.9	+0.1	-

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	Bid Price	Offer Price	+ or -	Yield Gross
Guardian Royal Exchange				
Royal Exchange, EC3 071-283 7101				
Guardian Assurance				
Property Bonds	668.6	696.4	..	-
Choices With-Pfts Lo-tm	131.2	138.1	...	-
Choices With-Pfts Sn-tm	123.2	129.7		-
Choices Managed	153.6	161.7	+0.6	-
Choices Equity	157.5	165.8	+0.9	-
Freedom With Pfts Lng-Tm	106.9	112.6		-
Freedom With Pfts Shrt-Tm	106.0	111.6	...	-
Freedom Managed	93.3	98.2	+0.4	-
Freedom Equity	90.6	95.4	+0.6	1.69
GRE Linked Life Assurance Ltd				
Managed Initial	361.5	380.5	+1.7	-
Do Accum	481.0	506.3	+2.3	-

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	Bid Price	Offer Price	+ or -	Yield Gross
Legal & General – Contd.				
Unit Pensions				
Kingswood Surrey KT20 6TH 0737 370370				
Ex Bldg Soc. Lnks	159.1	167.5		-
Do Accum	201.4	212.1		-
Exempt Cash Init	282.6	297.5	+0.1	-
Do Accum	451.5	475.3	+0.1	-
Exempt Eqty Init	867.7	913.4	+5.1	-
Do Accum	1386.4	1459.4	+8.3	-
Exempt Euro Init	154.3	162.5	+0.3	-
Do Accum	189.6	199.6	+0.4	-
Exempt Far East'n Init	211.1	222.3	-0.2	-
Do Accum	259.4	273.1	-0.2	-
Exempt Fixed Init	434.8	457.7	+1.5	-
Do Accum	694.8	731.4	+2.6	-

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	Bid Price	Offer Price	+ or -	Yield Gross
Manulife Group – Contd.				
Pension Fund Prices				
Managed Init	328.2			-
Do Accum	487.5			-
Property Init	317.5			-
Do Accum	472.5			-
Equity Init	403.7			-
Do Accum	600.7			-
Gilt-Edged Init	263.7			-
Do Accum	406.2			-
Guaranteed Init	209.9			-
Do Accum	315.4			-
International Init	395.0			-
Do Accum	600.1			-
Index Lk Gilt Init	163.9			-

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OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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N & P Life Assurance Ltd

For National Flo see Target Life

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

For Property Equity & Life see Excalibur Acc Co

Property Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

For Regency Life Ass see AEGON Life Ass

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd (z)

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

For UK Life Assurance see Century Life Plc

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Fidelity Life Assurance Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd (z)

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mangmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macmurray & Davis Invest Mgmt Plc

Northern Bloc & Partners

Portman Fund Managers Ltd

Prudential-Bache Fund Managers Ltd

Rowan Asset Management Ltd

Sharp (Albert E) & Co.

Sifton Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tullett International Mngt. Ltd

Tracy Law & Co

J. & A. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Investment Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Weaker dollar boosts D-Mark

THE WEAKNESS in the dollar following the recent cut in US interest rates caused the D-Mark to strengthen yesterday, forcing some European central banks to step in and defend their currencies within the ERM.

Over the last week the dollar has fallen by almost 6 per cent and the main beneficiary of this move has been the D-Mark.

Talk of higher German interest rates has also attracted investors and although the Bundesbank left rates unchanged at yesterday's council meeting, sentiment remains bullish towards the D-Mark.

The D-Mark's advance was made at the expense of the French franc and Italian lira, the weaker ERM currencies. The mark was at one stage testing the psychologically important FFr3.42 level but the mark retreated on talk that the Bank of France had sold marks for francs at FFr3.419.

There was also suggestions that the Bank of France had sold marks and bought Ecu's, which is another way of taking the pressure off the franc. The mark closed higher at FFr3.417 from FFr3.416.

However, with the Bank of France having recently reduced French interest rates, the franc remains vulnerable to further speculative pressure.

Its divergence indicator - a measure of relative strength within the ERM - remained at around minus 70 per cent, just above the 75 per cent level at which central banks are advised to support their currency.

Against the lira, the mark rose to a three month high following the small cut in money market rates by the Bank of Italy earlier in the week.

There were also suggestions that with such a large public sector deficit, Italy would have difficulty in agreeing to further moves towards European Monetary Union at the Maastricht summit in December.

At the Milan fix, the Bank of Italy sold marks and Ecu's for lira. But this did not prevent the lira from sliding and the D-Mark rose to L752.20-50 from around L751.00.

Despite the important movements within the ERM, most analysts believed central banks would be able to contain their currencies with intervention and would not have to resort to a realignment.

In London trading, sterling managed to remain broadly steady waiting for the outcome of the three parliamentary by-elections held today.

But after London closed, sterling slipped below the important DM2.90 level as the dollar's weakness gave a further boost to the mark. The Bank of England has recently intervened to defend the DM2.90 level.

Sterling closed at DM2.9000 from DM2.9075, although later it slipped to around DM2.8950.

The dollar remained weak after the cut in the discount rate and also by growing worries about the political standing of US administration after the Republicans lost the Pennsylvania senate election. The dollar closed at DM1.6290 from DM1.6410.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.717	-3.68	5.28	64
Belgian Franc	42.4032	42.1325	-0.64	2.06	36
D-Mark	2.05586	2.04491	-0.53	1.95	49
Dutch Guilder	2.31643	2.30452	-0.51	1.93	30
Irish Punt	0.767417	0.765240	-0.28	1.70	17
Italian Lira	1538.24	1534.93	-0.22	1.63	16
Sterling	0.696904	0.703797	0.99	0.42	-20
Danish Krone	7.84195	7.93464	1.18	0.22	-49
French Franc	6.89509	6.99219	1.41	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.7	Latest	Previous Close
£ Spot	1.7835-1.7842	1.7752-1.7757
1 month	0.81-0.79pm	0.83-0.81pm
3 months	2.32-2.29pm	2.34-2.31pm
12 months	8.03-7.93pm	8.03-7.93pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 7	Previous
8.30 am	91.3	91.3
9.00 am	91.3	91.3
10.00 am	91.3	91.3
11.00 am	91.3	91.3
Noon	91.3	91.3
1.00 pm	91.3	91.3
2.00 pm	91.3	91.4
3.00 pm	91.3	91.4
4.00 pm	91.3	91.3

CURRENCY MOVEMENTS

Nov 7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.3	-20.3
U.S Dollar	63.3	-15.9
Canadian Dollar	106.7	+4.1
Austrian Schilling	109.5	+11.9
Belgian Franc	111.3	-2.0
Danish Krone	108.4	+3.0
D-Mark	118.2	+24.7
Swiss Franc	108.9	+17.1
Dutch Guilder	114.1	+16.0
French Franc	102.4	-13.5
Lira	98.7	-19.7
Yen	141.1	+75.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov 6

CURRENCY RATES

Nov 7	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.777994	0.703797
U.S Dollar	5.00	1.38055	1.24994
Canadian $	8.17	1.55146	1.40194
Austrian Sch	7.50	15.9136	14.3919
Belgian Franc	8.00	46.5452	42.1325
Danish Krone	9.50	8.76649	7.93464
D-Mark	7.50	2.26065	2.04491
Dutch Guilder	8.00	2.54781	2.30452
French Franc	10¼	7.72280	6.99219
Italian Lira	11½	1693.94	1534.93
Japanese Yen	5.50	179.817	162.368
Norway Krone	8	8.86037	8.02076
Spanish Peseta	-	142.231	128.717
Swedish Krona	10.00	N/A	7.46841
Swiss Franc	7.00	1.99697	1.80679
Greek Drach	19	N/A	230.321
Irish Punt	-	N/A	0.765240

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Nov.6

OTHER CURRENCIES

Nov 7	£	$
Argentina	17574.5 - 17602.1	9900.00 - 9910.00
Australia	2.2650 - 2.2670	1.2745 - 1.2750
Brazil	1205.70 - 1206.95	679.100 - 679.400
Finland	7.0730 - 7.0860	3.9800 - 3.9830
Greece	324.600 - 329.800	182.820 - 185.740
Hong Kong	13.7800 - 13.7935	7.7610 - 7.7630
Iran	116.50*	66.50*
Korea(Sth)	1324.60 - 1345.95	747.00 - 756.00
Kuwait	0.49255 - 0.49335	0.28880 - 0.28910
Luxembourg	59.80 - 59.90	33.60 - 33.70
Malaysia	4.8675 - 4.8755	2.7405 - 2.7425
Mexico	5326.40 - 5333.05	3000.00 - 3002.00
N Zealand	3.1815 - 3.1855	1.7910 - 1.7930
Saudi Ar	6.6180 - 6.6945	3.7500 - 3.7510
Singapore	2.9750 - 2.9820	1.6765 - 1.6785
S Af (Cm)	4.9730 - 4.9845	2.8005 - 2.8020
S Af (Fn)	5.4165 - 5.5000	3.0490 - 3.0960
Taiwan	46.70 - 46.80	26.30 - 26.35
U A E	6.4800 - 6.5570	3.6715 - 3.6735

*Official rate. Floating rate £-2465.0 $-1390.0

POUND SPOT - FORWARD AGAINST THE POUND

Nov 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7730 - 1.7805	1.7795 - 1.7805	0.80-0.78cpm	5.33	2.29-2.26pm	5.11
Canada	1.9910 - 1.9975	1.9915 - 1.9925	0.43-0.36cpm	2.38	1.38-1.25pm	2.64
Netherlands	3.2650 - 3.2780	3.2650 - 3.2750	⅜-¼cpm	1.15	¾-⅝pm	0.84
Belgium	59.70 - 59.95	59.80 - 59.90	8-3cpm	1.10	14-6pm	0.67
Denmark	11.2445 - 11.3000	11.2900 - 11.3000	1½-¼orepm	1.13	2½-1½pm	0.84
Ireland	1.0855 - 1.0885	1.0870 - 1.0880	par-0.05cdis	-0.28	0.07-0.15dis	-0.40
Germany	2.8975 - 2.9070	2.8975 - 2.9025	⅜-¼pfpm	1.29	¾-⅝pm	0.95
Portugal	248.85 - 250.40	249.40 - 250.40	46-96cdis	-3.41	178-244dis	-3.38
Spain	182.50 - 183.40	182.55 - 182.85	23-43cdis	-2.17	86-132dis	-2.39
Italy	2174.50 - 2184.90	2179.50 - 2180.50	½-1½cdis	-0.41	3½-4¾dis	-0.76
Norway	11.3690 - 11.4200	11.4100 - 11.4200	½-¼orepm	0.26	½-¾dis	-0.15
France	9.9150 - 9.9480	9.9150 - 9.9250	1-¾cpm	1.06	2½-2¼pm	0.93
Sweden	10.5850 - 10.6325	10.6225 - 10.6325	par-½oredis	-0.28	1¼-2¼dis	-0.66
Japan	230.25 - 231.25	230.25 - 231.25	⅞-¾ypm	4.23	2½-2¼pm	4.01
Austria	20.41 - 20.47	20.42 - 20.45	2¼-1¼gropm	1.03	4½-1½pm	0.61
Switzerland	2.5575 - 2.5700	2.5575 - 2.5675	⅝-½cpm	2.63	1½-1¼pm	2.05
Ecu	1.4180 - 1.4235	1.4190 - 1.4200	0.12-0.07cpm	0.80	0.18-0.13pm	0.44

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.33-4.28cpm. 12 Month 7.98-7.88pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7730 - 1.7805	1.7795 - 1.7805	0.80-0.78cpm	5.33	2.29-2.26pm	5.11
Ireland†	1.6315 - 1.6350	1.6335 - 1.6345	0.69-0.64cpm	4.88	2.02-1.92pm	4.82
Canada	1.1200 - 1.1240	1.1210 - 1.1220	0.26-0.29cdis	-2.94	0.68-0.73dis	-2.51
Netherlands	1.8365 - 1.8455	1.8365 - 1.8375	0.64-0.67cdis	-4.28	2.00-2.03dis	-4.39
Belgium	33.60 - 33.75	33.60 - 33.70	11.50-13.00cdis	-4.37	36.00-41.00dis	-4.58
Denmark	6.3390 - 6.3520	6.3425 - 6.3475	2.10-2.35oredis	-4.21	6.50-7.20dis	-4.32
Germany	1.6285 - 1.6380	1.6285 - 1.6295	0.56-0.57pfdis	-4.16	1.79-1.81dis	-4.42
Portugal	140.60 - 140.70	140.60 - 140.70	89-96cdis	-7.89	280-300dis	-8.25
Spain	102.80 - 103.05	102.95 - 103.05	63-68cdis	-7.63	189-198dis	-7.51
Italy	1224.50 - 1230.00	1224.50 - 1225.00	5.60-6.10liredis	-5.73	17.60-18.60dis	-5.91
Norway	6.4070 - 6.4230	6.4100 - 6.4150	2.70-3.00oredis	-5.33	8.10-8.70dis	-5.24
France	5.5700 - 5.6000	5.5700 - 5.5750	2.00-2.05cdis	-4.36	5.99-6.09dis	-4.34
Sweden	5.9645 - 5.9820	5.9675 - 5.9725	2.70-2.95oredis	-5.68	8.45-9.00dis	-5.85
Japan	129.60 - 130.00	129.65 - 129.75	0.14-0.15ydis	-1.34	0.35-0.36dis	-1.09
Austria	11.5000 - 11.5210	11.5050 - 11.5100	4.05-4.45grodis	-4.43	12.40-13.70dis	-4.54
Switzerland	1.4385 - 1.4480	1.4385 - 1.4395	0.35-0.37cdis	-3.00	1.12-1.15dis	-3.15
Ecu	1.2485 - 1.2510	1.2500 - 1.2510	0.49-0.45cpm	4.51	1.51-1.45pm	4.73

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅞ - 10⅝	10⅝ - 10⅜	10½ - 10⅜	10 11/16 - 10 9/16	10⅝ - 10½	10⅝ - 10½
US Dollar	4 13/16 - 4 11/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5⅜ - 5¼
Can. Dollar	8⅛ - 8	8⅜ - 8¼	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7¾ - 7⅝	7¾ - 7⅝
Dutch Guilder	9⅛ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜	9½ - 9⅜	9⅝ - 9½
Swiss Franc	7⅞ - 7⅝	7¾ - 7½	7⅞ - 7¾	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼
D-Mark	8⅞ - 8⅝	9 - 8⅞	9 3/16 - 9 1/16	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
French Franc	9 3/16 - 9 1/16	9 5/16 - 9 3/16	9 5/16 - 9 3/16	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Italian Lira	12 - 10	10⅝ - 10⅜	10⅞ - 10⅝	11⅛ - 10⅞	11⅛ - 10⅞	11 5/16 - 11 1/16
Belgian Franc	9⅜ - 9¼	9 5/16 - 9 3/16	9 7/16 - 9 5/16	9⅝ - 9½	9⅝ - 9½	9 11/16 - 9 9/16
Yen	6½ - 6⅜	6½ - 6 7/16	6 11/16 - 6 9/16	6⅝ - 6½	5 15/16 - 5 13/16	5 13/16 - 5 11/16
Danish Krone	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜	9½ - 9⅜	9 9/16 - 9 7/16
Asian $Sing	3⅝ - 3½	3⅝ - 3½	3⅞ - 3¾	4⅛ - 4	4⅛ - 4	4⅝ - 4½

Long term Eurodollars: two years 5 13/16-5 11/16 per cent; three years 6 5/16-6 3/16 per cent; four years 6 11/16-6 9/16 per cent; five years 7 3/16-7 1/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Ecu
£	1	1.780	2.900	230.8	9.920	2.563	3.270	2180.	1.992	59.85	1.420
$	0.562	1	1.629	129.7	5.573	1.440	1.837	1225	1.119	33.62	0.798
DM	0.345	0.614	1	79.59	3.421	0.884	1.128	751.7	0.687	20.64	0.490
YEN	4.333	7.712	12.56	1000.	42.98	11.10	14.17	9445	8.631	259.3	6.153
F Fr.	1.008	1.794	2.923	232.7	10.	2.584	3.296	2198	2.008	60.33	1.431
S Fr.	0.390	0.694	1.131	90.05	3.870	1	1.276	850.6	0.777	23.35	0.554
H Fl.	0.306	0.544	0.887	70.58	3.034	0.784	1	666.7	0.609	18.30	0.434
Lira	0.459	0.817	1.330	105.9	4.550	1.176	1.500	1000.	0.914	27.45	0.651
C$	0.502	0.894	1.456	115.9	4.980	1.287	1.642	1094	1	30.05	0.713
B Fr.	1.671	2.974	4.845	385.6	16.57	4.282	5.464	3642	3.328	100.	2.373
Ecu	0.704	1.254	2.042	162.5	6.986	1.805	2.303	1535	1.403	42.15	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

ECU BOND (MATIF)

December	105.88	105.94	+0.10	106.08	105.82	9.09	3,620
March	-	105.96	+0.10	-	-	9.08	315

Estimated volume 1,654 Total Open Interest 3,935

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	1.94	-	-	0.02	-	-
106	1.01	1.53	-	0.09	0.57	-
107	0.33	0.99	-	0.39	1.00	-
108	0.07	0.58	-	-	-	-
Open Int	93,780	95,757	3,603	85,844	46,152	9,776

Estimated volume 36,720 Total Open Interest 334,892

FT-SE EUROTRACK 100 INDEX
DM58 per full index point

	Close	High	Low	Prev.
Dec	1100.0			1102.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 309 (309)

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7800	1.7721	1.7572	1.7367	1.7007

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unitbank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates ease

LONDON money market rates were slightly easier yesterday on scattered talk that UK interest rates may be cut this year. The key three month interbank rate, which closely shadows bank base rates, fell 1/16 point to 10¾-⅝ per cent.

The speculation about an interest rate cut appeared to come from the gilt futures market following the upbeat forecast on the economy by Mr Norman Lamont, the chancellor of the exchequer.

The October inflation figures, released on November 15, was mentioned as presenting a possible opportunity for a cut in rates: the annual rate of inflation is expected to fall to 3.6 per cent in October from 4.1 per cent in September.

Dealers also noted that a majority of analysts are expecting a ½ point cut in base rates to 10 per cent before the year end.

However, most money market dealers remained sceptical about the suggestions. With sterling still weak and D-Mark continuing to strengthen, many thought there was little chance of cut this year.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Cash market rates may have weakened but are still close to the current level of base rates. In the interest rate futures market, there was also little talk of lower rates.

The December short sterling contract fell 4 points to 89.95, implying an interest rate of 10.05 per cent by the end of that month, which means no immediate change in rates is expected.

The talking point in the money market was the large liquidity shortage caused by a flow of funds into the Exchequer. The Bank of England, in its regular morning money market forecast, estimated a shortage of £1.55bn, more than twice most market estimates.

But the Bank quickly injected funds into the market after it announced it would buy £835m of bills for resale to the market in about three weeks time at 10 7/16 per cent.

Later in the session, the Bank bought a further £391m of Treasury bills and also provided late assistance of £145m. This still left the market short and overnight rates remained firm.

German money rates eased slightly with call money quoted at 8.95-9.05 per cent from 9.00-9.10 per cent as banks' reserve holdings at the Bundesbank increased.

US rates were steady after the Federal Reserve added liquidity to the system.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.7) 3 months US dollars		6 months US Dollars	
bid 4 13/16	offer 5 1/16	bid 4 15/16	offer 5 1/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	7½	One month	4.80	Three year	5.98
Broker loan rate	7	Two month	4.71	Four year	6.07
Fed.funds	4¾	Three month	4.75	Five year	6.69
Fed.funds at intervention	-	Six month	4.87	Seven year	7.13
		One year	4.95	10-year	7.50
		Two year	5.63	30-year	8.01

Nov.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.95-9.05	9.00-9.15	9.25-9.40	9.25-9.40	9.25-9.40	9.25
Paris	9⅛-9¼	9⅛-9¼	9 3/16-9 5/16	9¼-9⅜	9¼-9⅜	9.25
Zurich	6⅞-7¼	7¾-8	-	8-8¼	-	-
Amsterdam	9.00-9.13	9.20-9.28	-	9.31-9.39	-	-
Tokyo	6 11/16-6 13/16	6 11/16-6 13/16	-	6½-6⅝	-	-
Milan	10½-10¾	10½-10¾	-	11½-11¾	-	-
Brussels	9.25-9.37	9¼-9⅜	-	9½-9⅝	-	-
Dublin	9 15/16-10 3/16	10-10¼	10 5/16-10 7/16	10 5/16-10 7/16	10 5/16-10 7/16	-

LONDON MONEY RATES

Nov 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	10¾	10½	10¾	10¾	10¾
Interbank Bid	10½	10½	10⅜	10⅝	10⅝	10⅝
Sterling CDs	-	-	10⅝	10⅝	10⅝	10⅝
Local Authority Deps.	10½	10½	10½	10¾	10¾	10¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11	10½	-	-	-	-
Company Deposits	-	-	10⅝	10¾	10⅝	10¾
Finance House Deposits	-	-	10⅝	10⅝	10⅝	10⅝
Treasury Bills (Buy)	-	-	10¼	9 15/16	9⅞	-
Bank Bills (Buy)	-	-	10 7/16	10	9 15/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.90	5.00	5.00	5.15
SDR Linked Dep. Offer	-	-	6¾	7	7	7
SDR Linked Dep. Bid	-	-	6⅝	6¾	6¾	6¾
ECU Linked Dep. Offer	-	-	9½	9¾	9¾	9¾
ECU Linked Dep. Bid	-	-	9¼	9½	9½	9½

MONEY MARKET FUNDS

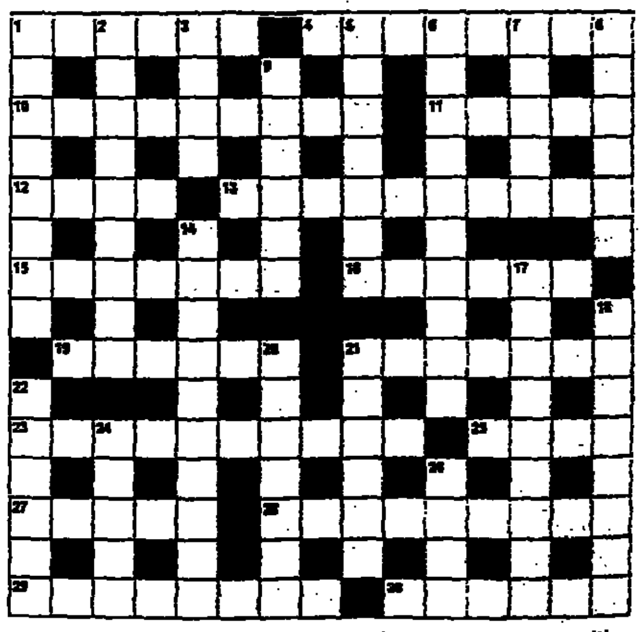
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,693 Set by VIXEN



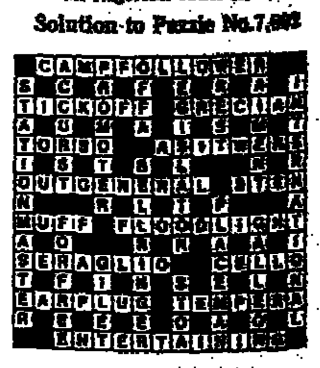
ACROSS

1 Built a piano in an outhouse (6)
4 People after the same gift (8)
10 Good excuse for a measure of drink (9)
11 March could see a difference in trade (5)
12 Off a track (4)
13 The assassins left hidden among the foreigners (10)
15 Intense radical (7)
16 The man wants rent settled (about a quarter's) (6)
19 A party the leftist liked very much (6)
21 The way a young attendant goes around a ship (7)
23 Given support at getting into silver and gold, it may well increase (10)
25 The lake forming a boundary (4)
27 Looking to make some money in gambling places (5)
28 Outstanding though mean worker (9)
29 Groom taking time for horse-training (8)
30 Attach and aim a listening device (6)

DOWN

1 The person who's barely prepared to make a speedy move (8)
2 Drawn and traced maybe following a race (9)
3 Dress up as an archbishop (4)
5 Love to chatter about English work (7)
6 A member of the opposition not against reform (10)
7 She's in need of an entire new outfit (5)
8 Turned on – does badly? – with knobs on! (6)
9 Found the French place fortified (6)
14 Nurses holding the line make changes again (10)
17 Tired fellow blocking further action (9)
18 He keeps on saying a salesman should accompany the consumer (8)
20 Dunderhead with genial disposition giving a hand (7)
21 Remind players to be in good time? (6)
22 Wretched housing before being extended (6)
24 The individual getting about six will appear sheepish (5)
26 The alternative set before an Algerian town (4)

Solution to Puzzle No.7,692



WORLD STOCK MARKETS

AUSTRIA

November 7	Sch	+ or −
Austrian Airlines	2,380	+10
Creditanstalt Pf	476	+2
EA General	3,125	+25
EVN	773	+1
Jungbunzlauer	9,910	+110
OeMV	974	+8
Perlmooser Zement	1,440	+40
Radex Heraklith	487	+7
Reininghaus Brau	1,650	−20
Steyr Daimler	259	+1
Veitscher Magnesit	360	+1
Verbund (Br) A	487	+3
Wienerberger	4,682	+32
Z-Laenderbank	940	....

BELGIUM/LUXEMBOURG

November 7	Frs.	+ or −
ACEC-Union Min	2,195	−10
Arbed	3,935	−55
BBL	2,830	+20
Bank Intl a Lux	10,975	....
Banq Gen Lux Pts	12,200	−48
Barco	1,050	−4
Bekaert	9,500	−80
CBR Ciment	7,490	....
Cobepa	4,895	+15
Cobepa AFV 1	4,890	+30
Cockerill Priv	164	+1
Colruyt	3,975	+25
Delhaize Frs Lion	7,550	−20
Electrabel	4,610	+10
Electrabel AFV	4,525	−15
Electrafina ACT	2,760	+10
Fabrique Nat	51	....
GBL	3,375	+5
GBL AFV 1	3,290	−30
GIB Group	1,282	....

FRANCE (continued)

November 7	Frs.
Bancaire Cie	511
Beghin-Say	603
Beghin-Say Cert Inv	483.90
Bongrain	2,655
Bouygues	583
CGIP	987
C M B Packaging	147.60
Canal+	1,060
Cap Gemini S	275
Carrefour	2,099
Casino	130.60
Cetelem	654
Chargeurs	1,010
Club Mediterranee	423
Cogifi	350
Coparex	590
C C F	169
Cr Fonc France	1,001
Cred Lyon (CI)	535
Credit Nationale	1,130
Damart	2,400
Docks de France	364
Dollfus Mieg Cie	306.10
EBF	750
Eaux Cie Genl	2,378
Ecco	378
Elf-Aquitaine	411.50
Elf-Aquitaine Certs	271
Essilor Int	330
Etex	1,750
Eurafrance	1,395
Eurocom	644
Euro Disney	136.30
Exor	1,170
Financiel	123.50
Fonc Lyonnaise	592
From C et Auv	2,490
GTM-Entrepose	381.50
Gal. Lafayette	1,495
Gaumont (Soc N)	714

CANADA

INDICES

NEW YORK

DOW JONES	Nov 6	Nov 5	Nov 4	Nov 1	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3038.46	3031.31	3045.62	3056.35	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.63	97.50	97.54	97.40	97.63 (6/11)	91.30 (16/1)	97.63 (6/11 91)	54.99 (1/10/81)
Transport	1271.67	1274.29	1281.02	1280.83	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.45	214.76	215.20	215.64	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3056.57 (3062.84) Low 3010.51 (3015.88)

STANDARD AND POOR'S

	Nov 6	Nov 5	Nov 4	Nov 1	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	389.97	388.71	390.28	391.32	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	459.71	458.56	460.49	461.43	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.55	31.99	31.56	31.80	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	215.30	214.68	215.43	216.01	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	386.65	384.94	384.10	386.85	387.31 (31/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	539.48	538.82	537.50	540.93	542.98 (31/10)	355.75 (14/1)	542.98 (31/10/91)	54.87 (31/10/72)

	Nov 1	Oct 25	Oct 18	year ago (approx.)
Dow Industrial Div. Yield	3.05	3.09	3.00	4.08
	Oct 30	Oct 23	Oct 16	year ago (approx.)
S & P Industrial div. yield	2.71	2.73	2.69	3.42
S & P Indl. P/E ratio	21.37	21.17	21.44	14.86

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Elscint Ltd	2,733,400	5	- ⅛
Toys R Us	2,396,800	26⅝	- ⅛
Gen Motors	2,038,600	34⅜	+ ⅞
RJR Nabisco	1,846,100	10¼	----
Telefonos	1,748,300	42⅝	- ¼
Pepsico	1,599,000	28⅝	- ¼
Compaq Com	1,468,700	27⅞	- ⅝
Glaxo	1,438,000	55¾	- ½
USX-Marathon	1,408,900	28¼	- 1⅜
Nat Medical Ent	1,375,800	15¼	- ½

TRADING ACTIVITY

† Volume (Millions)	Nov 6	Nov 5	Nov 4
New York SE	167.379	171.950	155.530
Amex	15.107	14.396	12.342
NASDAQ	191.182	176.983	154.799
NYSE			
Issues Traded	2,143	2,157	2,132
Rises	873	742	653
Falls	714	853	967
Unchanged	556	562	512
New Highs	92	85	58
New Lows	22	25	19

CANADA

TORONTO	Nov 6	Nov 5	Nov 4	Nov 1	1991 HIGH	1991 LOW
Metals & Minerals	3033.96	3056.02	3031.54	3013.57	3299.99 (18/7)	2632.06 (9/1)
Composite	3531.08	3525.71	3511.77	3512.58	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1863.92	1862.56	1857.33	1856.94	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, 7 November 1991

	Stocks Traded	Closing Prices	Change on day
Niigata Eng	14.5	821	+16
Toyo Ink	5.3	680	+2
Meiji Seika	5.2	1,150	0
Toyo Tire	4.8	1,120	+30
Sumitomo Bake	4.8	688	−11
Tokyu	4.4	1,060	-20
Honshu Paper	3.4	850	-34
Howa Machinery	3.3	1,100	-70
Takuma	3.3	1,660	-60
Meiji Milk	3.2	1,110	-10

2:15 pm prices November 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	19	157	14⅜	14⅛	14⅜	
21⅛	14½	A L Labs A	0.16	0.01	22	809	20¼	20	20⅛	
55¾	40⅞	AMP Inc x	1.44	0.03	92	1484	53½	52¼	53⅜	+1⅛
68⅝	44¼	AMR				122847	63¼	62⅜	63½	+⅞
2⅝	1	ARX			1	91	1¼	1⅛	1¼	+⅛
56	41½	ASA	3.50	0.07	13	80	47	46¾	46¾	−¼
60⅛	39¼	Abbott Lab	1.00	0.02	24	1934	59⅝	58⅝	59½	−⅛
14⅝	9⅞	Abitibi Pr	0.50	0.04	25	3	13⅞	13¾	13¾	
11⅝	10⅞	ACM Gvt In x	1.26	0.11		419	11⅛	11	11	−⅛
9⅞	8¾	ACM GvOpp x	1.01	0.11		33	9½	9⅜	9⅜	
9½	8¼	ACM Gvt Se x	1.01	0.11		176	9¼	8⅞	9⅛	+¼
11	9⅞	ACM Gvt Se r	1.26	0.12		232	10⅝	10½	10⅝	
9	7⅝	ACM Man x	1.01	0.11		249	u9	8⅞	8⅞	
12⅞	11½	ACM Mangd x	1.35	0.10		301	u12⅞	12¾	12⅞	
7½	4¾	Acme Cleve x	0.40	0.06	16	26	6⅜	6¼	6¼	
6	3⅜	Acme Elect			42	21	4⅝	4⅝	4⅝	
40	22¼	Acuson			87	420	35¾	35½	35¾	−⅛
20⅛	14⅛	Adams Expr	0.73	0.04	1	106	u20⅛	19¾	19⅞	−⅛
20⅛	17½	Adobe12Pl	2.40	0.13		191	19	18⅝	18⅝	−½
9¼	6⅝	Adobe Res			48	30	7⅜	7¼	7⅜	
39⅜	18	Ad Micro				297	36⅜	36¼	36¼	+⅝

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11	7½	Royce Val				81	10⅛	10⅛	10⅛	
62¼	37	Rubbermaid x	0.34	0.01	64	482	u63	61⅞	63	+1⅛
17⅝	13½	Ruddick	0.24	0.01	14	96	16½	16½	16½	-½
16¾	13	RussBerrie	0.60	0.04	13	7	16⅞	16¾	16⅞	+⅛
7⅛	⅝	Russ Togs	0.20	0.23		02180	⅞	13/16	⅞	+1/16
30⅞	19¾	Russell Cp x	0.32	0.01	22	90	28⅛	27⅞	28	-⅛
21⅝	14	Ryder Syst	0.60	0.03	254088		18¼	17⅞	18	-⅛
25¼	13¾	Ryland Grp	0.60	0.03	44	5	21⅞	21⅞	21⅞	-⅛

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅞	20⅛	S Anita Rt	2.08	0.09	17	51	22¼	22⅛	22⅛	+⅛
16½	11½	SCOR US Cp	0.24	0.02	34	35	16¼	15¾	15¾	
37	20¾	SPS Techno	1.28	0.05	12	2	25½	25½	25½	-¼
2⅛	⅝	SaatchiAS	0.19	0.25		01312	¾	11/16	¾	+1/16
13⅛	11	Sabine Rt x	1.33	0.10	7	136	13	12⅞	13	+⅛
10⅞	5⅞	Safecard	0.15	0.01	9	904	10⅛	10	10	+⅛
13⅞	8⅝	Saleg'd Sc			51	49	u14	13¾	13⅞	
37	25	SafetyKln	0.32	0.01	28	138	29	28⅝	29	+⅛
21⅝	11⅞	Safeway			14	464	18⅞	18	18⅛	+⅜
4⅞	2⅛	SafewayW96				98	4	3⅞	4	
35⅞	26⅞	StJoePaper	0.20	0.01	204	12	33	32¾	32⅞	+⅛
34⅛	26⅝	StJoeL&P x	1.66	0.05	11	25	30⅞	30¾	30¾	-⅛
4⅛	1½	Salant Crp			0	5	3	3	3	-⅛
69⅛	43⅝	Sallie Mae	0.80	0.01	17	1487	58⅞	57¼	58	-⅞
14⅛	10⅜	Salomon Br	0.80	0.04		368	u14⅛	14	14	-⅛
37	20⅞	SalomonInc	0.64	0.02	7	2642	29¼	28⅞	29⅛	
45⅛	37⅛	SanDgo G&E	2.80	0.06	47	245	43½	42¾	43¼	+½
4⅝	2⅛	SantaFeEDu	0.50	0.16	62	42	3⅛	3	3⅛	+⅛
16¾	10¾	SantaFeERs	0.18	0.01	27	629	11⅞	11½	11⅝	+⅛
35⅛	25	SantaFePac x	2.80	0.09	10	59	33	32½	32½	
11⅞	6⅛	SantaFeStn				1891083	11⅜	11⅛	11⅜	+⅛
46⅛	29⅝	Sara Lee x	1.24	0.03	28	2498	u46⅞	46⅜	46⅝	+½
⅛	1/16	Savin Corp			0	849	0.08	d1/16	0.08	

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
64⅞	35¼	Xerox x	3.00	0.05	60	663	64⅝	63⅞	64½	+⅜
51¾	43⅛	Xerox4 125 x				z100	51¾	51¼	51¼	
25¼	14⅛	Xtra 1.94				8	24⅜	24	24	-⅜
29¼	14¼	Xtra Corp	0.72	0.02	95	10	29⅞	28⅝	28⅝	-½
28⅝	21¾	Yankee Egy	1.60	0.06	12	21	u28⅞	28¼	28⅞	+⅛
1½	⅞	Zapata			2	21	⅝	⅝	⅝	
9⅞	5¼	ZenithElec			2	649	6⅞	6⅜	6¾	+¼
18½	12	Zenith Nat x	1.00	0.06	23	31	16⅜	16⅛	16¼	
6⅜	4½	Zenix Inc	0.84	0.13		17	6⅛	6⅛	6¼	
15¼	10⅞	Zero Corp x	0.40	0.03	15	33	11⅞	11⅜	11¾	+⅛
41⅞	29½	Zurn Ind x	0.88	0.02	14	62	34⅛	34	34⅛	+⅛
13½	10⅛	Zweig Fund	1.16	0.09		121	13	12⅞	12⅞	
10½	8½	Zweig Tot x	0.86	0.09		244	10⅜	10¼	10⅜	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:00 pm prices November 7

NASDAQ NATIONAL MARKET

2:00 pm prices November 7

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	928	25¾	25	25½	+⅛
XL Data		31	20	10⅝	10⅜	10⅝	-⅛
Xoma Corp		44	6880	20	18⅛	18¾	-⅛
Yellow Fr x	0.94	102	857	31⅛	30⅝	30⅞	
York Rsch		63	511	7¾	7⅝	7⅝	-⅛
ZionsUtah	1.44	9	3	47¼	46½	46¾	

AMERICA

Equities accelerate after strong opening by IBM

Wall Street

SHARE PRICES quickened their pace in the early afternoon, encouraged by a strong opening in IBM, and in spite of concern about the impact of the afternoon's 30-year Treasury auction, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 12.08 at 3,050.54. The more broadly based Standard & Poor's 500 was also firmer at midsession, up 2.31 at 392.27 at 1 pm, while the Nasdaq composite of over the counter stocks added 3.60 at 543.08. Turnover on the NYSE was 115m shares by 1pm.

The cut in interest rates this week may have helped stock market sentiment, but worries about the economic outlook will not go away. Buying incentives were thin on the ground yesterday, and equity traders were nervous ahead of the $12bn bond sale. After two *difficult first legs of the quarterly* refunding programme – Tuesday's three-year note sale was a disaster and Wednesday's 10-year note sale was not much better – the stock market was fearful that another poor auction would depress prices further, and push long-term interest rates higher.

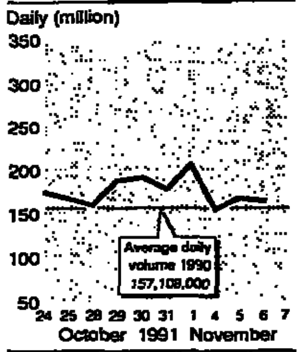
Among individual stocks, IBM rose $3 to $99⅝ on turnover of 1m shares after the computer group's chairman, Mr John Akers, predicted at a meeting in Tokyo that the fourth quarter would be IBM's *best of the year. IBM stock has* been weak of late, on worries that the final quarter would produce some nasty surprises, so Mr Akers's comments helped allay those fears.

Berlitz finally opened for *trading after a two-day suspen*sion following the death of Mr Robert Maxwell, whose Macmillan publishing group owned a large stake in the company. The shares rose at the start of trading only to fall back to $18⅜, down $⅞ on the day, after Macmillan said that it would sell its 56 per cent stake in Berlitz to Fukutake, a Japanese publishing company, for $265m.

Toys 'R' Us rose $1½ to $28¼ on turnover of 1.3m shares after the company reported that total store sales had risen *12.3 per cent in the third quar*ter. Another stock to gain in the wake of recent sales figures was Limited, which put on $2¼ at $26 in active trading on news of a 4 per cent rise in October sales. Wal-Mart rose $1⅞ to $48¼ after the retailer reported that third quarter net income rose 25 per cent to $353.2m.

Press reports highlighting the failure of some of its artificial heart valves unsettled *Pfizer, which fell $1⅛ to $68* in turnover of 1.2m shares.

NYSE volume



Canada

TORONTO stocks were pulled out of negative territory at midday by a strong banking sector. The TSE 300 composite index rose 3.8 to 3,534.9. Advancing issues led declines by 251 to 189 on heavy volume of 19.6m shares with transactions valued at C$225m.

Bank shares have dominated activity in response to cuts in prime rates, while most other sectors have been listless. Bank of Montreal rose C$⅝ to C$38⅝, Canadian Imperial firmed C$½ to C$32¼, Bank of Nova Scotia rose C$⅞ to C$20⅞ and Royal Bank of Can*ada gained C$¼ to C$27¾.*

Among other active stocks, Ipsco Inc rose C$¼ to C$25 and Stelco A shares added C$⅝ to C$6⅞.

Australia pauses after a spectacular rally

Feeding on falling interest rates, the market wanted a deeper cut, writes **Kevin Brown**

AFTER a disappointing hiatus in the third quarter of 1991, the Australian Stock Exchange All Ordinaries index has mounted *a spectacular rally in October* and early November; and while there has been a slightly negative reaction to this week's official interest rate cut, this is not being taken too seriously.

Over the five weeks or so to November 5, the All Ordinaries rose by 8.8 per cent; over the *first 10 months of this year,* the FT-Actuaries Australia index produced a gain of 32.8 per cent, in local currency terms, against one of 16.1 per cent for the world as a whole.

Many observers thought that Australia had run out of steam when the All Ordinaries bounced around the 1,500 mark in the three months to September, failing to capitalise on a 20 per cent improvement since the beginning of the year.

All of that changed in the first week of October with a rally which pushed the index up to a peak of 1,692.7 on Tuesday. After falling back to 1,679 following the rate cut on Wednesday, it recovered slightly to 1,683.5 yesterday.

*The reaction reflected disap*pointment that the authorities cut the official cash rate by only 100 basis points, or one percentage point, to 8.5 per cent, rather than 150 points as many investors had hoped.

Nevertheless, brokers say the downturn is probably only *a pause in a rally which could* take the market significantly higher before the end of the year, possibly to the 1,800 level forecast by mid-year optimists.

The rally rode partly on the back of a strong performance by high profile companies such as Brambles, National Australia Bank and News Corporation, which closed last night at a 22-month high of A$15.50.

However, demand has gradually broadened, giving support to the widespread view that only a lack of confidence has been holding the market back in the face of steadily improving economic fundamentals.

Most notably, the consumer price index rose by just 0.6 per cent in the September *quarter, reducing the annual*ised rate of inflation from 3.4 per cent to 3.3 per cent, compared with more than 8 per cent a year ago.

It was that announcement which prompted the Reserve Bank to make the 10th cut in official interest rates since they peaked at 18 per cent in January last year.

Few believe that the downward trend in official rates is over, especially since most *economists say that inflation* will dip to below 1.5 per cent in the three months to the end of December.

The market has also benefited from steadily falling bond yields, which have increased the incentives for fund managers to reweight their portfolios towards equities.

The benchmark 10-year Commonwealth bond was trading at around 9.7 per cent yesterday, the lowest since 1979, and 90-day bills were around 8.35 per cent, compared with 10.5 per cent in June.

Meanwhile, fears about the effect on corporate profits of the strong Australian dollar have been eased by an unexpected fall in the key US dollar exchange rate to around 78.50 US cents from a peak of above 80 cents in September.

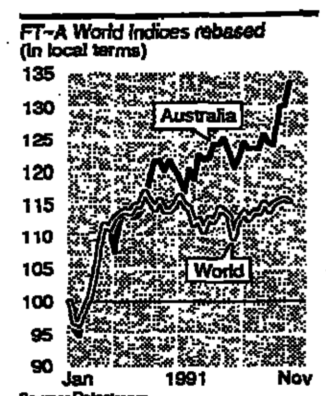
The level of the exchange rate is vital for confidence in Australia's large commodities *sector,* which sells largely in markets denominated in US dollars.

It is also important to the bottom line for resources-based companies such as BHP, Australia's biggest company, which estimates that an increase of one US cent in the value of the Australian dollar costs it A$25m.

On the downside, some analysts worry about the speed of the recent advance, and suggest that *future rises may be* constrained by the need to finance forthcoming equity issues of up to A$15bn.

However, most believe the upside potential remains strong, especially since the All Ordinaries index is still around 26 per cent below its peak of 2,300, registered just before the global stock market crash in October 1987.

FT-A World Indices rebased (in local terms)



Source: Datastream

ASIA PACIFIC

Nikkei falls 1.2% on options-related selling

Tokyo

SHARE PRICES ended sharply lower yesterday on heavy options-related selling towards the close, *writes Emiko Terazono in Tokyo.*

The Nikkei average finished 303.44 down at the session's low of 24,446.76, declining for the fourth consecutive trading day. The index moved in a narrow range before that, setting a high for the day of 24,844.98 in the afternoon before suddenly dropping 10 minutes before the *close. Traders noted* heavy activity by US houses related to settlements of November options contracts.

Volume was flat at 250m shares. Declines led rises by 646 to 283, with 179 issues unchanged. The Topix index of all first section stocks lost 14.58 *to 1,850.41, but in London the* ISE/Nikkei 50 index improved 12.29 to 1,406.68.

Investors were not impressed by the reduction in the US discount rate. "There is little going on other than isolated bursts of activity," said Miss Caroline Stone at Barclays *de Zoete Wedd. She* added that some investors were becoming nervous that the current market situation, with the Nikkei index moving sideways on little volume, would continue for a while.

Individual issues moved on speculative activity. Toyo Sanso, the best performer of the day with a jump of 11.4 per cent or Y100 to Y970, was buoyed by reports that a renowned *speculator* had unloaded his holdings and that the issue was now undervalued. Niigata Engineering, the most active issue of the day, climbed Y16 to Y821 on individual buying.

Telecommunication issues were stronger. NTT added *Y14,000 at Y817,000 on rumours* that a leading life insurance concern was buying the issue. KDD, the international telecoms company, put on Y200 to Y13,700 on expectations that the government would allow foreign ownership of the shares by the middle of 1992.

Daiichi Pharmaceutical fell Y50 to Y1,830 on reports that the company is expected to post its second consecutive drop in annual earnings, with pre-tax profits down 8 per cent to Y40bn. Other drug companies also weakened, with *Yamanouchi off Y70* at Y3,860 and Sankyo Y50 at Y2,620.

In Osaka, the OSE average shed 125.12 to 26,708.51 on volume of 17.9m shares. Mori Seiki, the machine tool maker, rose Y90 to Y2,500 on bargain hunting. The issue has been depressed by poor earnings *prospects* for the current year.

Chudenko, the electrical engineering group, lost Y120 to Y4,730 on profit-taking. Electrical engineering issues have been popular recently on hopes of an increase in public works spending by the government.

Roundup

THE US rate cut fanned hopes of a similar move in the region, although many markets failed to sustain the day's highs.

HONG KONG stretched its record-breaking rally to a fourth consecutive session in active trading, in spite of an early decline on profit-taking. The Hang Seng index climbed 11.17 to 4,184.74, its third straight all-time high. The index has gained 148 points, or 3.7 per cent, so far this week. Turnover swelled to HK$2.02bn from HK$1.95bn.

Utilities turned in the day's best gains, followed by commerce and industrial stocks. China Light put on 20 cents to HK$21.80 and Hong Kong Electric 10 cents to HK$12.60.

SEOUL failed to sustain an early rally. The composite index closed at 679.42, up 0.22, in turnover of Won229.6bn, after Won188.1bn.

Interest in Shinsegae Department Store and Chonju Paper Manufacturing turned bearish after news late on Wednesday that Samsung Group, the nation's largest conglomerate, *will sever ties with them.* Shinsegae ended unchanged but Chonju Paper shed a daily limit of Won1,000 to Won26,000.

Shares of Hyundai Group subsidiaries recovered from the impact of the government's imposition of record back taxes and penalties on the company's owner. Hyundai Engineering & Construction advanced Won300 to Won18,700 and Hyundai Motor ended Won100 ahead at Won27,500.

NEW ZEALAND overcame a flat start to close firmer, with most of the action seen in smaller issues. The NZSE-40 index touched a 1991 peak of 1,562.11 before closing a net 7.52 firmer at 1,561.74, its highest close in six months. Turnover contracted to NZ$16.3m from NZ$24.2m.

Private-client buying helped to boost the shares of smaller companies. Cavalier Corp, a wool exporter, forged ahead 18 cents to NZ$2.58, while fertiliser and chemical concern Fernz Corp rose 20 cents to NZ$7.70.

TAIWAN ended slightly lower, surrendering an initial gain to profit-taking. The *weighted index opened* at 4,457.42 on expectations of an early interest rate cut but closed a net 5.74 down at 4,424.85. Turnover came to T$28.63bn (T$29.68bn).

Food shares registered the day's largest losses, followed by textiles and paper. Financial issues were the only winners for the session.

SINGAPORE closed firmer on hopes of an interest rate cut, although profit-taking trimmed earlier gains. The Straits Times Industrial index came off the day's high of 1,453.78 to close 4.61 up at 1,448.40 in turnover of S$186.5m, down from S$220.1m.

MANILA gained ground as tensions surrounding the return of Mrs Imelda Marcos eased. The composite index picked up 15.77 to 1,053.88. Turnover amounted to 82.5m pesos. PLDT continued to lead the gainers, rising 17.5 pesos to 705 pesos.

KUALA LUMPUR finished slightly higher. The composite index gained 1.49 to 533.16 in turnover of M$78.1m, compared with M$75.7m previously.

JAKARTA showed little *change on the day in spite of* foreign buying. The Jardine Fleming index eased 0.19 to 49.31; the official index was not available.

BANGKOK advanced in active trading. The SET index appreciated 12.14 to 672.60 on a healthy turnover of Bt4.32bn.

SOUTH AFRICA

JOHANNESBURG industrials advanced to a new record high of 4,303, up 40, while gold shares added 7 to 1,114 as the bullion price rose to $355. The *all-share index put on 45 to* 3,530. Among leading stocks, De Beers added R1.75 to R96.

EUROPE

Frankfurt and Zurich rise after local encouragement

FOR A COUPLE of bourses, domestic news gave equities the lift that the US interest rate cut failed to provide on Wednesday, *writes Our Markets Staff.*

FRANKFURT rose slightly after no change in interest rates and forecasts that next week's new withholding tax on investment income will be less damaging than expected.

Bonds rose, the Bundesbank's average yield falling 5 basis points to 8.62 per cent; and after a decline of 0.42 to 650.89 in the FAZ index at midsession, equities did likewise with the DAX index closing *4.18 higher at 1,578.40. Volume* rose from DM3.5bn to DM3.9bn.

Banks were better, and the interest rate-sensitive Bayernhypo rose DM6 to DM369. Contrasts in carmakers saw Volkswagen fall DM6.80 to DM318.90, as BMW rose DM4.30 to DM466.80. Turnover in VW *rose from DM162m to DM461m* on the day and some dealers blamed rumours of balance sheet irregularities. However, the fall also coincided with sell notes, from two German brokers, which were not the source of the rumours.

BMW, on Wednesday, indicated a 16 per cent rise in turnover in the second half of the current year. Mr John Longhurst of James Capel said yesterday that its indications of a 10 per cent rise in net profits for the full year looked conservative, and that Capel's earnings target is still DM60 a share.

ZURICH saw lower inflation for October, money market rates followed suit and banks and insurers rose again as the Crédit Suisse index rose 4.0 to 493.9.

Among banks, Leu Holding bearers added SFr40 to *SFr1,800 after the group, con*trolled by CS Holding, said it expected a higher 1991 net.

FT-SE Eurotrack 100 - Nov 7

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1090.44	1091.20	1090.18	1089.66	1089.91	1089.96	1090.12	1090.12

Day's High 1091.57 *Day's Low 1089.23*

Nov 6	Nov 5	Nov 4	Nov 1	Oct 31
1089.50	1092.54	1088.07	1095.11	1096.45

Base value 1000 (26/10/90)

UBS bearers rose SFr90 to SFr3,430 and SBC bearers by SFr10 to SFr320.

PARIS concentrated on special situations. The CAC-40 index rose 2.51 to 1,838.57 on turnover of FFr1.63bn.

The day's biggest gainer was Penhoet, whose minority shareholders are being bought out by Suez. Penhoet jumped FFr200 to FFr620 while Suez rose FFr1.30 to FFr306.40.

On the downside was Remy, which fell FFr42 to FFr228 in response to the drink group's *internal restructuring. Ana*lysts said there was a lack of details regarding the exchange of each share of Remy for a share in the new company, Remy Cointreau. The merger appeared to enhance the asset value of the Remy shares, but it would also dilute earnings. *Remy Cointreau shares are due* to begin trading on the Paris and Frankfurt bourses on December 24.

AMSTERDAM closed higher in light trading, helped by a steady showing in London and short-covering. The CBS Tendency index added 0.5 to 89.1 in turnover of *Fl 420.6m.*

KLM closed Fl 1.20 better at Fl 38.20 after reporting a 350 per cent surge in second quarter net profits, although it foresaw only "modestly positive" results for the full fiscal year.

MILAN was beset with worries that settlement of the *November trading account,* which ends next week, would be postponed as a result of the suspension of the broker Mr Claudio Capelli. A Milan court postponed a hearing regarding his finances until November 14. The Comit index fell 3.07 to 512.06 in turnover similar to Wednesday's L74.4bn.

Fiat slipped L51 to L4,844, as the latest industry data showed that it was continuing to lose market share at home. Fiat's market share in the first ten months fell to 46.9 per cent from 53.5 per cent.

Banks were the weakest sector, losing 1.1 per cent. Banca *Commerciale fell L89 to L4,011.*

MADRID fell again, the general index closing 2.36 lower at 254.51. Chemicals and oils were one area of weakness, with Argonesas down another Pta42 to Pta930 for a two-day loss of Pta69, and Petromed Pta530, or 8.7 per cent lower at Pta5,570. *In banks, Banesto shed another* Pta70 to Pta3,360, Pta130 lower over two days.

STOCKHOLM was steady, though Ericsson continued to fall in the wake of an earnings downgrading from Merrill Lynch. The Affärsvärlden General index lost just 0.8 to 1,006.0 *in turnover of SKr310m after* SKr278m.

Ericsson, which is due to release its nine-month results next week, saw its free B shares fell SKr6 to SKr146.

COPENHAGEN was flat, the bourse index easing 0.22 to 366.24, but Novo Nordisk rose *DKr11 to DKr506 in the run-up* to its interim results due next Wednesday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 6 1991								TUESDAY NOVEMBER 5 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	158.69	−0.8	132.81	130.25	135.39	134.62	−0.8	4.53	159.91	133.94	131.20	136.51	135.71	159.91	112.74	123.57
Austria (20)	164.66	+1.5	137.81	135.16	140.49	140.04	+1.3	2.04	162.16	135.83	133.05	138.43	138.27	222.37	153.86	202.94
Belgium (47)	*133.48*	*+0.4*	*111.71*	*109.55*	*113.88*	*111.10*	*−0.1*	5.33	133.01	*111.41*	*109.12*	*113.54*	*111.19*	*151.20*	*118.04*	*140.70*
Canada (115)	142.28	−0.1	119.08	116.78	121.38	115.80	+0.2	3.22	142.42	119.30	116.65	121.57	115.61	142.42	126.49	123.52
Denmark (37)	261.31	+0.2	218.69	214.49	222.94	226.04	+0.0	1.57	260.83	218.47	214.01	222.66	225.97	270.56	217.74	257.27
Finland (15)	87.64	+1.4	73.35	71.94	74.77	73.30	+1.0	3.32	86.43	72.39	70.92	73.78	72.55	125.15	83.69	104.64
France (109)	143.74	−0.4	120.30	117.98	122.62	126.44	−0.5	3.51	144.31	120.88	118.40	123.18	127.05	152.26	119.11	138.83
Germany (65)	109.70	+0.0	91.81	90.05	93.59	93.59	−0.1	2.42	109.75	91.93	90.06	93.69	93.69	125.35	94.15	112.27
Hong Kong (55)	172.24	+0.7	144.15	141.37	146.95	171.71	+0.7	4.40	171.02	143.25	140.32	146.00	170.46	172.24	119.62	119.80
Ireland (18)	160.14	−0.8	134.02	131.44	136.62	138.34	−1.0	3.62	161.45	135.24	132.47	137.83	139.78	162.46	132.88	157.59
Italy (77)	70.43	+0.6	58.95	57.81	60.09	64.67	+0.6	3.59	69.99	58.62	57.42	59.74	64.31	88.23	64.76	82.95
Japan (474)	141.64	−0.8	118.54	116.26	120.85	116.26	−0.8	0.73	142.80	119.61	117.16	121.92	117.16	146.97	118.23	129.81
Malaysia (68)	203.51	+0.2	170.32	167.04	173.62	214.60	+0.2	2.88	203.02	170.05	166.57	173.31	214.24	247.78	189.18	197.11
Mexico (17)	1345.81	−0.1	*1126.33*	*1104.65*	*1148.18*	4415.79	−0.1	1.16	1347.11	1128.37	1105.28	1149.99	4420.05	1347.11	534.45	538.59
Netherland (31)	143.60	−0.2	120.18	117.86	122.51	121.15	−0.3	4.45	143.84	120.49	118.02	122.80	121.43	145.73	125.70	133.78
New Zealand (14)	50.01	−0.6	41.86	41.05	42.67	47.32	−0.2	6.14	50.29	42.13	41.27	42.94	47.42	54.64	41.18	49.72
Norway (30)	191.39	+2.0	160.18	157.10	163.29	166.91	+1.8	1.55	187.60	157.14	153.93	160.16	163.92	223.24	178.58	229.95
Singapore (38)	205.42	+1.5	171.92	168.61	175.25	158.99	+2.0	2.20	202.32	169.47	166.01	172.72	155.94	208.25	151.63	155.34
South Africa (61)	259.93	−0.1	217.54	213.34	221.75	175.38	−0.6	2.79	260.22	217.96	213.50	222.14	175.37	250.65	173.00	165.14
Spain (53)	152.40	−0.3	*127.54*	*125.09*	130.02	119.03	−0.8	4.60	152.88	128.06	125.44	130.51	119.93	171.12	131.51	147.00
Sweden (25)	186.38	−0.9	155.98	152.98	159.01	165.27	−1.0	2.70	188.10	157.56	154.34	160.58	166.94	204.12	146.60	167.59
Switzerland (59)	96.15	+0.3	80.47	78.92	82.04	86.40	+0.4	2.24	95.86	80.30	78.66	81.85	85.09	100.67	82.17	91.42
United Kingdom (240)	180.30	−0.2	150.90	147.98	153.81	150.90	−0.3	4.92	180.62	151.29	148.18	154.17	151.29	187.44	156.27	162.86
USA (526)	158.47	+0.3	132.62	130.08	135.20	158.47	+0.3	3.06	157.96	132.31	129.61	134.85	157.96	161.02	125.95	123.39
Europe (826)	141.82	−0.1	118.69	116.41	121.00	120.51	−0.2	3.89	141.95	118.90	116.47	121.19	120.74	151.52	125.50	136.07
Nordic (107)	185.97	+0.0	155.64	152.65	158.66	156.55	−0.1	2.06	185.99	155.73	152.60	158.77	156.78	200.81	156.55	181.64
Pacific Basin (718)	142.48	−0.7	119.24	116.95	121.56	118.02	−0.7	1.06	143.53	120.23	117.77	122.53	118.85	145.92	117.86	128.94
Euro – Pacific (1544)	142.57	−0.5	119.32	117.01	121.63	119.86	−0.5	2.22	143.25	119.99	117.53	122.29	120.46	147.66	121.29	132.20
North America (641)	157.38	+0.3	131.72	129.20	134.30	155.58	+0.3	3.07	156.92	131.44	128.76	133.98	155.10	159.66	125.91	123.31
Europe Ex. UK (586)	119.00	+0.0	*99.59*	97.70	101.55	103.07	−0.1	3.28	*119.03*	*99.70*	97.68	101.64	103.22	129.80	103.58	119.36
Pacific Ex. Japan (244)	150.74	+0.0	126.16	123.75	128.62	133.71	+0.1	4.18	150.70	126.23	123.66	128.66	133.53	150.74	111.40	117.90
World Ex. US (1737)	144.54	−0.5	120.97	118.65	123.32	121.34	−0.5	2.26	145.20	121.63	119.15	123.95	121.92	148.16	122.32	132.46
World Ex. UK (2023)	145.09	−0.2	121.43	119.10	123.80	131.16	−0.2	2.27	145.35	121.75	119.26	124.09	131.40	146.07	120.06	124.92
World Ex. So. Af. (2202)	147.42	−0.2	123.38	121.01	125.78	132.68	−0.2	2.54	147.68	123.70	121.18	126.08	132.93	148.66	122.92	128.07
World Ex. Japan (1789)	*153.04*	*+0.1*	*128.08*	*125.63*	*130.58*	*142.15*	*+0.1*	3.43	*152.83*	*128.01*	125.41	130.49	142.01	153.17	126.69	128.77
The World Index (2263)	148.16	−0.2	124.00	121.62	126.41	133.05	−0.2	2.55	148.43	124.32	121.79	126.72	133.30	149.10	123.28	128.29

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: Latest market check confirms dire effects of UK recession on middle-class occupations

Executive demand at lowest on record

RIGHT then, let's grit the teeth and get it over. The summer just gone saw demand for executives in Britain, as measured by upper-ranked jobs advertised in leading journals, plummet to the lowest ever known.

The tally for the three months July-September was the lowest for any quarter of any year since the MSL International consultancy began keeping records 32 years ago. Short of a miracle, the 1991 total will be well below the previous lowest for a calendar year in 1981.

Which would seem to confirm observations that the United Kingdom has been struck by a peculiarly, if not unprecedented, white-collar recession. Although it may not be worse in its overall effects than the one a decade ago, its impact on the British middle classes has been far sharper.

That being so, at least two questions remain to be answered. One is how many of the missing executive job-openings have gone for ever. *The other is that, if they* do not reappear in large numbers, what the said middle classes are going to do about it.

But first to the details of the collapse in demand, which are set out in the table alongside drawn from MSL's three monthly counts of managerial and upper-rank specialist jobs advertised in UK national journals. Each post so offered is counted as one no matter how many times the same opening is advertised.

The top part of the table focuses on the 12-month period ended on September 30, showing the number of offers in eight different types of work, together with the total, in each of the periods since 1986-87. At the foot of the table, the 12-monthly totals are broken down into the constituent quarterly counts.

The latest of them certainly gave the lie to my optimistic forecast 16 weeks ago that the market would turn up in the second half of this year. My hope was based on an apparent slowing of the plunge in demand in the April-June quarter, which has historically produced a lower tally than January-March. The average drop between them over the decades has been 8.9 per cent, but this year the fall was only from 4,572 to 4,235 – or 7.4 per cent – which I took as a sign of relief.

In the event the fall quickened again. The July-September count of a mere 3,630 was 14.3 per cent down on the April-June tally, compared with a historical drop between them of only 7.2 per cent. As a result, with three quarters of the year gone, 1991 has produced 12,437 openings – less than two thirds of the number needed even to equal the previous calendar year's lowest of 18,795 a decade ago.

That is not to say the British executive market is utterly bereft of hopeful signs. Most recruitment consultants I have met lately report an upturn since September 30 when MSL's latest tally was struck. Moreover counts of advertised openings *do not tell the whole of the story.* Less long established checks on consultancies using the personal-approach methods of executive search suggest that their branch of the business began improving in the summer months.

But search has differences from the ad-based part of the trade. One is that far fewer executive posts are filled by personal-approach than by national advertising. Another is that, unless searchers have suddenly changed their nature, they concentrate their hunt on folk who currently have jobs, showing little interest in those who've been thrown out of work albeit through no fault of their own.

So for most British executives, and especially for the victims of the recession, the message would seem plain. Even if demand for their services is now turning up, it has an awfully long way to go to make anywhere near a full recovery.

For my own part, even though naturally inclined to be optimistic, I suspect it will not reach former heights again. The technological shift that has set off the so-called "delayering" of organisations is *surely irreversible.* Accordingly, jobs that have occupied the British middle-class for generations – those in essentially information-passing middle management as well as pen-pushing posts below – look set to go on vanishing in large numbers for good and all.

So what is the likely result?

Well, the first one I'd expect is that the next UK general election will be held back until the last practicable date. That is May 7, because the government could not risk waiting until after the local council elections later that month. And there's another thing which wouldn't surprise me either.

It's that, despite what seems to be a two-party contest between Conservatives and Labour in this week's by-elections, the coming general poll will see a coalition government in power.

UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALIST STAFF
(12 months to September 30)

Type of work	1990-91 Posts advertised	1990-91 Change from 89-90 %	1989-90 Posts advertised	1989-90 Change from 88-89 %	1988-89 Posts advertised	1988-89 Change from 87-88 %	1987-88 Posts advertised	1987-88 Change from 86-87 %	1986-87 Posts advertised	1986-87 Change from 85-86 %
Research & dvlpmnt	2,166	−33.8	3,273	−26.1	4,431	+12.6	3,935	+25.6	3,133	−26.5
Sales & marketing	2,231	−21.4	2,840	−35.4	4,398	−29.1	6,204	− 0.2	6,215	− 2.4
Production	2,923	−47.0	5,512	−13.4	6,362	−16.7	7,636	+54.9	4,931	− 4.3
Accounting	3,473	−40.4	5,830	−17.5	7,064	−10.9	7,925	+ 8.1	7,334	+15.2
Computing	1,209	−50.2	2,430	−41.0	4,119	−10.5	4,602	+37.0	3,358	− 9.8
General management	1,004	−23.9	1,320	− 5.3	1,394	−19.3	1,728	+16.8	1,479	+15.8
Personnel	446	−46.1	827	−32.9	1,233	+15.8	1,065	same	1,065	+18.3
Others	4,303	−36.4	6,764	−15.4	7,996	+ 9.4	7,307	+14.7	6,372	+16.2
Total	**17,755**	**−38.3**	**28,796**	**−22.2**	**36,997**	**− 8.4**	**40,402**	**+19.2**	**33,887**	**+ 2.0**
Oct-Dec	5,318	−19.8	6,627	−26.8	9,048	− 2.2	9,248	+17.8	7,850	− 8.7
Jan-March	4,572	−45.6	8,397	−23.1	10,915	− 2.7	11,223	+22.4	9,166	+ 4.1
April-June	4,235	−44.6	7,641	−16.7	9,176	−13.4	10,593	+23.2	8,597	+ 5.2
July-Sept	3,630	−40.8	6,131	−22.0	7,858	−15.8	9,338	+12.9	8,274	+ 8.0

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ACCOUNTANCY COLUMN

Body blow to corporate America's well-being

Nikki Tait on the cost – some say $250bn – to US companies of a seemingly technical regulation

WARNING: accountancy standards can damage your health. Or, more precisely, in the case of the US Financial Accounting Standards Board's rule 106, the health benefits of millions of American employees.

If anyone believed that accountancy was a grey science indulged in by grey individuals and unrelated to the real world, this seemingly technical regulation should disabuse them. For, in a nutshell, the US accountancy rule-maker is insisting that companies take some provision today for the sums which they expect to spend on employees' non-pension retirement benefits, notably healthcare, in the future.

In doing so, FASB has already caused some of America's largest companies, like IBM, to incur billion-dollar charges. Less dramatically but perhaps of more significance, it has redoubled the incentive for corporations to prune such expenditure, thus affecting the lives and future security of millions of US workers.

In itself, the accounting rule change is straightforward. It was adopted by the FASB last December after years of debate, and requires employers to "accrue" the cost of non-pension retirement benefits over the working careers of their active employees. The rule takes effect for financial years beginning after December 15 1992 – so, in most cases, from the first quarter of 1993. Companies with fewer than 500 employees have extra time in which to comply.

In practice, rule 106 has two separate effects. First, as far as benefits already promised to existing workforces are concerned, employers must either estimate the cost and write it off in a single charge, or "amortise" the sum – that is, spread it out – over as many as 20 years. Second, from 1993 onwards, they will have to make additions to reserves if new non-pension benefits are added to their retirement packages. Either way, this represents a radical change for US companies. At present, corporations charge such expenses against earnings in the period in which they are incurred – a system commonly known as "pay-as-you-go". This, at least, is fiscally efficient; profits are reduced and the tax charge minimised. A company which takes a one-off charge under FASB 106 gets no such break.

Future health benefits are a real liability for many companies, a fact which should arguably be recognised in today's balance sheets

But the rationale for demanding such a controversial upheaval is pretty compelling, too. A large element of these "non-pension retirement benefits" comprises corporate contributions to pensioners' healthcare. As the world knows, both medical expenses and health insurance premiums are increasing rapidly in the US, while Medicare, the federal system, is meeting a shrinking portion of the burden. Future health benefits, therefore, are a very real liability for many companies, a fact which should arguably be recognised on today's balance sheets.

Whatever the logic of the move, its impact is little short of momentous. There have been suggestions that corporate America overall would look $250bn poorer, should it write off all its current commitments for pensioners' health benefits in the future in one go.

For solid companies with plenty of capital, a one-off charge may be painful, but feasible. For those with thinner balance sheets, it is perfectly conceivable that such a charge would exceed their stated net worth – pushing them in the land of the "black hole", or "negative net worth".

There may be other implications. A company will often pledge to keep net worth at/above a given level, as part of a series of covenants agreed with its bankers in return for loan finance.

Accountants concede that some astute companies have tried to build flexibility into loan agreements – making allowance for accounting changes – but say that this is still the exception rather than the rule. Moreover, as John Deming, a partner at KMPG Peat Marwick, points out, when such flexibility results from a renegotiation of existing covenants, bankers will normally demand a fee.

But if a one-off charge is impossible, amortisation is not particularly attractive, either. No one likes a relentless penalty against earnings, and while diligent analysts may pore through the notes to each financial statement, it is a fair bet that some investors will not be so thorough.

Companies adopting this strategy may not be the only losers. The investment community generally is likely to find that the age-old problem of comparing earnings – even between companies in the same country and industry – without minute examination of their accounting policies, simply gets worse.

So how is corporate America responding? For a start, it is self-evident that the burden of the new rule is not spread evenly. Businesses with large, ageing workforces are likely to be the hardest-hit, while a new, capital-intensive business may go unaffected.

Rule 106 has undeniably concentrated the attention of managements on the cost of pensioners' healthcare-related benefits with renewed force

Two of the first companies to react were Abbott Laboratories, the pharmaceuticals company, and IBM, the computer giant – both of which grasped the nettle via a one-off charge. Abbott used an extraordinary gain thrown up by the sale of an investment to offset a $128.1m charge from complying with rule 106.

IBM simply registered a $2.26bn charge against its first quarter earnings in 1991, turning a 93 cents a share profit into a $3.03 a share loss, its first-ever quarterly deficit.

Many accountants believe that most companies will bide their time until obliged to make the change after 1992 – unless, like Abbott, they have a useful offsetting gain. "I don't think they're going to rush to do it otherwise," comments Mr Joseph Kelly, senior manager at Deloitte & Touche, suggesting that it will be the strength of the balance sheet coupled with debt covenants which determines whether a corporation takes the amortisation or one-off charge route. Indeed, a survey by consultants William Mercer last February suggested that many companies had yet to assess the expenses which they faced – although accountants say that awareness has increased markedly since then.

What is undeniable is that rule 106 has concentrated managements' attention on the cost of pensioners' healthcare-related benefits with renewed force. Already large companies like General Electric and Westinghouse Electric have made moves to contain their pensioners' healthcare liabilities in the future, and it seems almost certain that others will follow suit.

Finally, no one should think that this is purely an American problem. Many European companies now own sizeable US subsidiaries and if, for any reason, they report under US Generally Accepted Accounting Principles (GAAP) – perhaps because of a listing in the US – they, too, will be obliged to tot up this potential expense. In short, this is a painful business all round.

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If you would like to pursue your interest in this exceptional opportunity, please call David Hughes on the number below or out of hours on 0767 27530. Alternatively, please write briefly enclosing a CV and quoting reference 8040.

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